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*Attorneys for Defendant
Allied World Assurance Company Ltd.*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

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In re:	:	Chapter 11
	:	
MF GLOBAL HOLDINGS LTD., et al.,	:	Case No. 11-15059 (MG)
	:	
Debtors	:	(Jointly Administered)
	:	
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MF GLOBAL HOLDINGS LTD., as Plan	:	
Administrator, and MF GLOBAL ASSIGNED	:	
ASSETS LLC,	:	
Plaintiffs,	:	
	:	
v.	:	
	:	Adv. Proc. No. 16-01251 (MG)
ALLIED WORLD ASSURANCE COMPANY	:	
LTD, IRON-STARR EXCESS AGENCY	:	
LTD., IRONSHORE INSURANCE LTD.,	:	
STARR INSURANCE & REINSURANCE	:	
LIMITED., and FEDERAL INSURANCE	:	
COMPANY,	:	
	:	
Defendants.	:	
-----	x	

**AFFIDAVIT OF ERICA J. KERSTEIN IN SUPPORT OF ALLIED WORLD
ASSURANCE COMPANY, LTD'S REPLY IN OPPOSITION TO APPLICATION OF
THE BAR ORDER AND BARTON DOCTRINE**

I, Erica J. Kerstein, hereby declare under penalty of perjury that the following is true and correct:

1. I am an attorney with the law firm of White and Williams LLP, counsel for Allied World Assurance Company, Ltd (“Allied World”) in the above-referenced matter.

2. I submit this affidavit in support of Defendant Allied World’s Memorandum of Law In Opposition to the Application of the Bar Order And *Barton* Doctrine.

3. The facts set forth in this affidavit are based upon the documents and information cited to herein.

Alleged MFGI Loss

4. On September 10, 2012, the SIPA Trustee for MF Global Inc. (“MFGI”) and the MFGI Customer Representatives entered into the Amended and Restated Continuing Cooperation and Assignment Agreement (the “Continuing Cooperation and Assignment Agreement”). Pursuant to that agreement, the Trustee for MFGI assigned to the Customer Representatives its “Potentially Viable” claims against former directors, officers and/or employees of MFGI and/or MFGH, on behalf of customers, arising out of the shortfall of customer funds) (the “Assigned Claims”). See SIPA D.I. 3764.¹ On October 11, 2012, this Court entered an order approving the Continuing Cooperation and Assignment Agreement. See SIPA D.I. 3764. In approving the Continuing Cooperation and Assignment Agreement, this Court retained jurisdiction to “(i) enforce and implement the terms and provisions of the Continuing Cooperation and Assignment Agreement and resolve disputes thereunder and (ii) implement and enforce the provisions of this Order.” See id. at pp. 4.

¹ References herein to docket entries are the same as those cited to in the adversary complaint and in Allied World’s prior submissions in connection with this adversary proceeding.

5. On October 2, 2013, the SIPA Trustee for MFGI and the Customer Representatives entered into a Net Equity Settlement Assignment Agreement (the “Net Equity Settlement”) pursuant to which MFGI’s customers would receive an “advance of [MFGI] general estate funds sufficient to satisfy all customer net equity claims in the SIPA Proceeding,” in exchange for the Assigned Claims. See SIPA D.I. 7104. On November 6, 2013, this Court entered an order approving the Net Equity Settlement. See SIPA D.I. 7208. In approving the Net Equity Settlement, this Court retained jurisdiction to “hear and determine all matters arising from or related to this order.” See id., at pp. 4.

6. On July 24, 2015, the SIPA Trustee and MFGH, as Plan Administrator for the Confirmed Plan for the Chapter 11 Debtors, entered into a Sale and Assumption Agreement pursuant to which the SIPA Trustee agreed to sell to MFGH, or its designee, substantially all of the assets held by the SIPA Trustee or the MFGI estate in exchange for a release of MFGH’s \$1.16 billion allowed claim in the MFGI estate and the assumption of certain obligations of the SIPA Trustee. See D.I. 2114. On August 19, 2015, this Court issued an Order approving the Sale and Assumption Agreement. See D.I. 2123. In approving the Sale and Assumption Agreement, this Court retained jurisdiction to “interpret[] or implement[]” its Order approving the Sale and Assumption Agreement. See id. at pp. 15. The Order approving the Sale and Assumption Agreement does not appoint MFGAA as an officer of this Court. See id.

7. On September 8, 2015, pursuant to the Closing Sale and Assumption Agreement (the “Closing Agreement”), the Plan Administrator designated MF Global Assigned Assets LLC (“MFGAA”) as its assignee of the Trustee’s rights and interest in, among other things, MFGI’s E&O Policies, including the Allied World Policy. See Exhibit A and D.I. 2129.

The Individual Insureds' and MFGI's Requests for Coverage

8. By letter dated May 5, 2014, counsel for the SIPA Trustee, as assignee and purported subrogee of MFGI's former customers' claims for the shortfall, sought coverage from the E&O insurers in the amount of \$548.4 million for "customer claims against MFGI arising from the failure to properly segregate customer funds" A copy of the May 5, 2014 Letter is attached as Exhibit B.

9. By letter dated April 27, 2015, Reed Smith, coverage counsel for Bradley Abelow, Jon Corzine, David Dunne, Vinay Mahajan, Edith O'Brien, and Henri J. Steenkamp (collectively, the "Individual Insureds"), demanded on behalf of the Individual Insureds that the E&O insurers "generally make their limits available" for a settlement within the limits of the then available remaining E&O insurance policy limits. A copy of the April 27, 2015 Letter is attached as Exhibit C.

10. By letter dated April 28, 2015, Dechert, defense counsel for the Individual Insureds, requested on behalf of the Individual Insureds that the E&O insurers agree to collectively contribute \$100 million as part of a \$200 million global settlement offer to resolve the Customer Action (\$100 million from the E&O proceeds) and Litigation Trustee Action (\$100 million from the D&O proceeds). A copy of the April 28, 2015 letter is attached as Exhibit D.

11. By letter dated May 22, 2015, Reed Smith, on behalf of the Individual Insureds, requested that Allied World "clearly indicate, in writing and outside the context of mediation, whether or not it intends to make its limits available to settle the remaining actions." A copy of the May 22, 2015 letter is attached as Exhibit E.

12. By email dated September 2, 2015, Dechert, on behalf of the Individual Insureds, forwarded to the E&O Insurers as an attachment a "Confidential Settlement Communication"

from Jones Day, which outlined proposed terms for a settlement of “claims asserted by: MF Global, Inc. (“MFGI”), Nader Tavakoli, the Litigation Trustee for MF Global Holdings (“MFGH”) and the Customer Representatives (collectively, the “Litigation”), Sapere and the CFTC.” In the September 2, 2015 email, Dechert “request[ed] the limits of the insurance policies to respond to this.” A copy of the September 2, 2015 email, without the confidential attachment, is attached as Exhibit F.

13. By letter dated October 24, 2015, counsel for MFGAA, as assignee of the SIPA Trustee’s rights and interests in MFGI’s former customers’ claims for the shortfall, “demand[ed] coverage and repeat[ed] the SIPA Trustee’s previous demand expressed in his May 5, 2014 letter, that MFGA, the other E&O excess insurers participating in the 2011-2012 coverage program, and, if necessary, MFGA’s reinsurers immediately reimburse MFGAA-MFGI to the full amount of the remaining limits under the E&O coverage program, less only those sums properly paid to or on behalf of individual insureds named as defendants in the MDL proceedings.” A copy of the October 24, 2015 letter is attached as Exhibit G.

14. The claims asserted by the Litigation Trustee (the “Litigation Trust Claims”) were submitted for coverage under the D&O Policies only, were not submitted for coverage under the E&O Policies, and are not subject to coverage under the E&O Policies. See November 2, 2015 Letter from Jones Day attached as Exhibit H, at pp. 2 (“Moreover, the Litigation Trust’s claims are payable only out of the D&O policies . . .”).

15. On February 11, 2016, Allied World issued a notice of arbitration to the Individual Insureds and MFGAA regarding whether there is coverage for Respondents’ claims under the Allied World Policy pursuant to Section IX of the Allied World Policy (the “Notice of Arbitration”). See Adv. Dkt. 13-3.

16. On May 3, 2016, for the first time, Allied World received a draft of the 9019 Order that included the terms of paragraph 7 of the final Bar Order. A copy of the May 3, 2016 email without the confidential attachment is annexed as Exhibit I.

17. On July 6, 2016, a Stipulation and Agreement of Settlement was entered into between: (a) MF Global Assigned Assets, LLC, as assignee of certain claims, rights, and interests of MF Global Inc.; (b) MF Global Holdings Ltd., as Plan Administrator and otherwise; (c) Nader Tavakoli, in his capacity as the Litigation Trustee of the MF Global Litigation Trust; (d) the Customer Class Representatives (as defined in the Global Settlement Agreement); (e) Sapere CTA Fund, L.P.; and (f) the Individual Insureds (the "Global Settlement Agreement"). See D.I. 2271-2. On August 10, 2016, this Court entered an order authorizing and approving the Global Settlement pursuant to Rule 9019 of the Bankruptcy Rules and applicable law (the "9019 Approval Order"). See D.I. 2282. In the 9019 Approval Order, this Court retained jurisdiction "with respect to all matters arising from or related to the implementation of [the August 10, 2016 Order] and to enforce and implement the terms and provisions of the [Global Settlement Agreement] and resolve disputes thereunder." See id. at pp. 5.

18. On October 27, 2016, MFGH, as Plan Administrator, and MFGAA, as the assignee of any rights MFGI and the Individual Insureds' have to proceeds under the Allied World Policy, filed an Adversary Complaint for Declaratory Judgment and Breach of Contract against the Bermuda Insurers. See Adv. Dkt. 1.

Dated: New York, New York
January 11, 2017

WHITE AND WILLIAMS LLP

By: /s/ Erica Kerstein
Erica Kerstein

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**MF GLOBAL HOLDINGS LTD., ET AL.
Post-Effective Date Quarterly Operating Report
For the period ending September 30, 2016**

MF GLOBAL HOLDINGS LTD., ET AL.
Post-Effective Date Quarterly Operating Report
For the period ending September 30, 2016

BACKGROUND

This post-Effective Date quarterly operating report (“QOR”) of MF Global Holdings Ltd. (“Holdings Ltd.”) and its affiliated debtors, MF Global Finance USA Inc. (“Finance USA”), MF Global Capital LLC (“Capital”), MF Global FX Clear LLC (“FX Clear”), MF Global Market Services LLC (“Market Services”), and MF Global Holdings USA Inc. (“Holdings USA”) (collectively, the “Debtors”¹) covers a specific time period and has been prepared solely for the purpose of complying with the reporting requirements of the *Second Amended and Restated Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code for MF Global Holdings Ltd., MF Global Finance USA Inc., MF Global Capital LLC, MF Global FX Clear LLC, MF Global Market Services LLC, and MF Global Holdings USA Inc.* (Docket No. 1382) (the “Second Amended Plan”). The financial information contained in this QOR is preliminary and unaudited, and as such may be subject to revision. The information in this QOR should not be viewed as indicative of future results. The Second Amended Plan is a joint plan for six separate Debtors. The Debtors are not consolidated for financial reporting and should be viewed as standalone entities. The total columns in each of the tables of the QOR are for illustrative purposes only.

The Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) as follows: (i) Holdings Ltd. and Finance USA filed on October 31, 2011; (ii) Capital, FX Clear, and Market Services filed on December 19, 2011; and (iii) Holdings USA filed on March 2, 2012. Each respective Debtor’s bankruptcy filing dates are referred to in this QOR as the “Petition Date” and any period prior to such Debtor’s bankruptcy filing date is referred to as “pre-petition” for the respective Debtor. The Debtors’ chapter 11 cases are assigned to the Honorable Judge Martin Glenn and are being jointly administered under the caption “In re MF Global Holdings Ltd., et al.” Case No. 11-15059 (MG). Shortly after each respective Petition Date, Louis J. Freeh, Esq. (the “Chapter 11 Trustee”) was appointed as chapter 11 trustee of the Debtors. On the Effective Date, the Chapter 11 Trustee ceased his stewardship of the Debtors and Holdings Ltd. became the Plan Administrator under the Second Amended Plan, with a newly appointed board of directors.

The last date and time for any person or entity, including MF Global affiliates, to file a proof of claim against the Debtors (the “Bar Date”) has passed as of the issuance of this QOR. During the reporting period, the Plan Administrator continued to review and reconcile certain pre-petition and administrative claims filed against the Debtors. The Plan Administrator has identified and will continue to identify claims that it believes should be disallowed for a number of reasons, including but not limited to: claims that are duplicative of other claims; claims that are amended by later filed claims; claims that are not properly filed against a Debtor in the Debtors’ chapter 11 cases; and claims that are either overstated, assert an incorrect priority, or that cannot otherwise properly be asserted against the Debtors. The Plan Administrator has objected and will continue to object to such claims as appropriate. Accordingly, adjustments to the financial information provided herein may be reflected in future QORs as a result of the claims reconciliation process, and such adjustments may be material.

On July 24, 2015, the Plan Administrator and James W. Giddens (the “SIPA Trustee”), as Trustee for the liquidation of MF Global Inc. (“MFGI”), entered into a Sale and Assumption Agreement pursuant to which the SIPA Trustee assigned to the Plan Administrator (or its designee), among other things, all of the SIPA Trustee’s rights and interest in (a) the claims asserted in the case captioned “In re MF Global Holdings Ltd. Investment Litigation,” 11 Civ. 7866 (the “MDL”), (b) MFGI’s E&O Policies, D&O Policies, and other insurance policy proceeds, (c) recoveries in the MF Global UK Limited (“MFGUK”) insolvency proceeding, (d) certain contracts, and (e) cash and miscellaneous accounts receivables (the “Sale and Assumption Agreement”). In exchange, the Plan Administrator agreed that (a) the Debtors and certain of their non-Debtor affiliates waived their right to further distributions from the MFGI estate, which allowed the SIPA Trustee to make final distributions to all other unsecured creditors in an amount that satisfied such claims at 95%, and (b) the Plan Administrator’s designee assumed, among other things, certain of the SIPA Trustee’s discovery obligations, the SIPA Trustee’s obligations under the assigned contracts, and certain tax obligations. Pursuant to the agreement, the Plan Administrator’s designee is entitled to receive amounts in the future pending the outcome of certain events relating to disputed claims and expense reserves.

On September 8, 2015, pursuant to the Sale and Assumption Agreement, the Plan Administrator designated MF Global Assigned Assets LLC (“MFGAA” or “Assigned Assets”) its assignee and Holdings Ltd., Finance USA, Holdings USA, Capital, FX Clear, MF Global FX LLC (“FX LLC”), and MF Global Special Investor LLC (“Special Investor”) (the “Members”) made an initial capital contribution to Assigned Assets in the form of an assignment of all of that Member’s rights and interests in its allowed MFGI claims in exchange for a ratable membership interest in Assigned Assets. Future proceeds will be distributed to the Members in proportion to their respective membership interests in Assigned Assets.

¹ Throughout this QOR, the term “Debtors” refers collectively to MF Global Holdings Ltd., MF Global Finance USA Inc., MF Global Capital LLC, MF Global FX Clear LLC, MF Global Market Services LLC, and MF Global Holdings USA Inc.

On February 11, 2016, the Bankruptcy Court entered a final decree for the closing of the Chapter 11 Cases of Capital, FX Clear and Market Services (the “Closing Debtors”) (Docket No. 2201). As a result, the Closing Debtors no longer have any reporting or administrative obligations under the Second Amended Plan including, without limitation, the obligation to file post-Effective Date quarterly reports. The Chapter 11 Cases of Holdings Ltd., Finance USA, and Holdings USA remain open.

CURRENT QUARTER ACTIVITY SUMMARY

On July 20, 2016, the Plan Administrator, on behalf of itself and its affiliates including MFGAA, and Nader Tavakoli, as Litigation Trustee for the Litigation Trust (collectively, the “MFG Plaintiffs”), filed a joint motion pursuant to Bankruptcy Rule 9019 together with supporting declarations and exhibits (the “9019 Motion”) seeking Bankruptcy Court approval of the Stipulation and Settlement Agreement dated as of July 6, 2016 (the “Global Settlement”) among the MFG Plaintiffs, the Customer Class Representatives, and Sapere CTA Fund LP as Plaintiffs and Jon Corzine, Bradley Abelow, Henri Steenkamp, David Dunne, Edith O’Brien and Vinay Mahajan as Defendants, resolving Plaintiffs’ claims in the Multidistrict Litigation (the “MDL”) pending against Defendants. [See *In re MF Global Holdings, Ltd.*, et al. Chapter 11 Case No. 11-15059 (MG) D.I. 2271] The MFG Plaintiffs also filed a related Stipulation to modify the Plan Injunction [Id. D.I. 2269] and motion to file certain confidential documents under seal [Id. D.I. 2270].

As set forth more fully in the 9019 Motion, the proposed Global Settlement requires confidential contributions from certain Defendants and contribution or assignment of all remaining D&O and E&O policy limits totaling approximately \$184 million, which is comprised of the remaining policy limits committed to the Global Settlement of \$159 million and assignment to the MFG Plaintiffs of Defendants’ rights to pursue additional policy limits of \$25 million from certain E&O insurers who refused to fund the settlement. Gross recoveries to the estates will be reduced by hold-backs to settle or create reserves for all claims against the Defendants in the MDL litigation, including the CFTC action, Sapere action, and Customer Class interest claims, and certain fees and costs, including Customer Class counsel fees.

On August 24, 2016, the MFG Plaintiffs filed a motion seeking approval of the distribution and allocation of the proceeds available under the Global Settlement among the MFG Plaintiffs [Id. D.I. 2291]. A separate motion will seek approval of the distribution protocol for the Litigation Trust’s share of the proceeds. Once all approvals are obtained, distributions will be made to creditors, expected at the earliest to be Q4 of 2016, no earlier than the expected Effective Date of the Global Settlement (anticipated to be November 18, 2016). The amount and timing of any recoveries and distributions is still subject to various court approvals and therefore no estimates of any recoveries or timetables can be made with certainty.

During the period, the Bankruptcy Court approved the settlement agreement between and among the WARN litigation plaintiffs and Holdings Ltd., Holdings USA, and Finance USA resolving the WARN litigation on a final basis [Adv. Pro. No. 11-02880 (MG); Docket No. 204] and as a result, Holdings USA paid \$5.3 million to the WARN settlement Administrator pursuant to the terms of the settlement.

On March 28, 2014, the Plan Administrator, filed a lawsuit in the Southern District of New York against PricewaterhouseCoopers LLP (“PwC”), Holdings Ltd.’s long-time external auditors and accounting experts. The complaint alleges that PwC committed professional malpractice in connection with erroneous accounting advice and audit services concerning the use of repurchase-to-maturity financing transactions and off-balance-sheet accounting for the company’s investment in billions of dollars worth of European sovereign debt and concerning over \$100.0 million in deferred tax assets. The complaint seeks an amount to be determined at trial but not less than \$1.0 billion. [See *MF Global Holdings Ltd., as Plan Administrator v. PricewaterhouseCoopers LLP*, No. 14-cv-2197-VM]. On January 29, 2016, PwC filed a motion for summary judgment and on August 5, 2016 the Court entered a Decision and Order denying PwC’s motion. On August 18, 2016 Judge Marrero scheduled trial to commence on February 13, 2017 and also referred the matter to Magistrate Judge Francis for settlement discussions prior to trial.

MF Global Holdings Ltd., et al.
Schedules of Cash Flows (Unaudited)
For the Period July 1, 2016 through September 30, 2016

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Cash balance at July 1, 2016	\$ 2,293,977	\$ 38,704,987	\$ 5,733,913	\$ 46,732,876
Cash Inflows:				
Expense Reimbursement from Debtor Affiliates	10,504,004	1,964,210	3,618,294	16,086,508
Pre-petition Receivables from Debtor Affiliates	-	-	-	-
Pre-petition Receivables from Non-Debtor Affiliates	-	411,108	400,232	811,339
Other	10,636	2,667,188	127,145	2,804,968
Total Inflows	10,514,640	5,042,505	4,145,670	19,702,816
Cash Outflows:				
Payroll, Payroll Taxes and Employee Benefits	-	-	(972,321)	(972,321)
Operating Costs	(12,482)	(585,907)	(71,297)	(669,686)
Professional Fees	(25,000)	(1,207,657)	-	(1,232,657)
US Trustee Fees	-	(64,875)	-	(64,875)
Other	-	(34,730)	(5,347,955)	(5,382,685)
Total Operating Expenses	(37,482)	(1,893,169)	(6,391,574)	(8,322,224)
Expense Reimbursement to Debtor Affiliates	(2,771,604)	(13,314,904)	-	(16,086,508)
Distributions:				
Administrative Claims	-	-	-	-
Priority Tax Claims (includes Admin tax claims)	-	-	-	-
1 - Priority Non-Tax Claims	-	(11,725)	-	(11,725)
2 - Secured Claims	-	-	-	-
3 - JPMorgan Secured Setoff Claim	-	-	-	-
4 - Convenience Claims	-	-	-	-
5 - Liquidity Facility Unsecured Claims	-	-	-	-
6 - General Unsecured Claims	-	(218,180)	(149,095)	(367,274)
7 - Subordinated Claims	-	-	-	-
8 - Preferred Interests	-	-	-	-
9 - Common Interests	-	-	-	-
Total Distributions	-	(229,905)	(149,095)	(378,999)
Total Cash Outflows	(2,809,086)	(15,437,978)	(6,540,668)	(24,787,732)
Net Cash Flows:	7,705,554	(10,395,472)	(2,394,998)	(5,084,916)
Cash balance at September 30, 2016	\$ 9,999,531	\$ 28,309,514.23	\$ 3,338,915	\$ 41,647,960

The accompanying notes are an integral part of this report

MF Global Holdings Ltd., et al.
Statements of Net Assets (Liquidation Basis)
As of September 30, 2016

	<u>Note</u>	<u>MF Global Finance USA Inc.</u>	<u>MF Global Holdings Ltd.</u>	<u>MF Global Holdings USA Inc.</u>	<u>Total</u>
Cash		\$ 9,999,531	\$ 28,309,514	\$ 3,338,915	\$ 41,647,960
Non-affiliate pre-petition receivables	4	-	-	410,272	410,272
Debtor affiliate pre-petition receivables	4	212,386,758	1,405,095,226	27,548,846	1,645,030,830
Other affiliate pre-petition receivables	4	2,500,000	53,587,769	2,965,575	59,053,343
Debtor affiliate post-petition receivables	4	-	2,260,243	351,037	2,611,280
Other affiliate post-petition receivables	4	-	2,338,846	-	2,338,846
Other assets	5	102,025,000	446,477	-	102,471,477
MFGAA membership interests	6	184,875,016	16,495,084	6,626,778	207,996,878
Total assets		511,786,304	1,508,533,160	41,241,423	2,061,560,887
Liabilities subject to compromise:	8				
Claims subject to reconciliation		(414,758)	(2,345,714)	(393,167)	(3,153,638)
Allowed claims:					
Debtor affiliate		(1,408,751,854)	(23,239,955)	(212,386,758)	(1,644,378,567)
Other affiliate		(3,269,682)	(782,445)	(77,229)	(4,129,356)
Liquidity Facility unsecured claim		(725,006,650)	(884,607,789)	-	(1,609,614,439)
Notes claim		-	(788,905,570)	-	(788,905,570)
Other unsecured		-	(28,127,607)	(19,280,480)	(47,408,087)
Subordinated		-	(106,131,012)	-	(106,131,012)
Subordinated claims not allowed		(1,085)	(16,685,153)	(1,986,436)	(18,672,673)
Liabilities to be settled in full:	9				
Administrative, secured and priority		-	-	-	-
Debtor and other affiliate charges		(2,457,582)	(395,769)	(33,295)	(2,886,646)
Professional fees - post-effective date	10	-	(8,789,937)	-	(8,789,937)
Estimated Plan Administration Expenses	11	(17,058,675)	(17,523,306)	(2,001,024)	(36,583,005)
Total Liabilities		(2,156,960,286)	(1,877,534,257)	(236,158,388)	(4,270,652,931)
Net assets in liquidation		\$ (1,645,173,982)	\$ (369,001,097)	\$ (194,916,965)	\$ (2,209,092,044)

The accompanying notes are an integral part of this report

Note 1: Basis of Presentation

The Plan Administrator has prepared this QOR in accordance with the Second Amended Plan. While the Plan Administrator has exercised its best efforts to ensure that this QOR is accurate, based on information that was available at the time of preparation, inadvertent errors or omissions may exist. The Plan Administrator reserves the right to amend this QOR from time to time as may be necessary or appropriate. This QOR is not meant to be relied upon as a complete description of the Debtors, their businesses, condition (financial or otherwise), results of operations, prospects, assets or liabilities.

The unaudited balance sheets ("statements of net assets in liquidation") and statements of cash flows ("schedules of cash flows") in this QOR have been prepared in accordance with the requirements of the Second Amended Plan. The statements of net assets in liquidation and schedules of cash flows were not prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and neither purport to represent nor reconcile with financial statements prepared in accordance with US GAAP. This QOR does not include explanatory footnotes and other disclosures required under US GAAP, and is not presented in a US GAAP-based reporting format. Certain classifications utilized in this QOR may differ from prior report classifications and accordingly amounts may not be comparable. The statements of net assets in liquidation and the schedules of cash flows have been presented in at least the level of detail required by the Second Amended Plan.

Certain items presented in this QOR remain under review by the Plan Administrator and may be accounted for differently in future QORs. Accordingly, the financial information herein is subject to change and any such change could be material. The statements of net assets in liquidation do not reflect or provide for all the consequences of the Debtors' chapter 11 cases including (i) as to assets, a wide range of legal claims that are being pursued or are under consideration to pursue, their realizable values on a liquidation basis or their availability to satisfy liabilities, and (ii) as to pre-petition liabilities, the amounts that may ultimately be allowed for claims or contingencies, or the ultimate status or priority of claims filed. Accordingly, future QORs may reflect adjustments (including write-downs and write-offs) to the assets and adjustments to the liabilities, which may be material.

Prior to October 31, 2011, the majority of the Debtors' operational accounting functions, including day-to-day maintenance of the Debtors' books and records, were fulfilled by an accounting group located in Chicago, Illinois and employed by MFGI which commenced its separate liquidation proceeding under the Securities Investor Protection Act on October 31, 2011 and which proceeding is now completed.

Note 2: Use of Estimates

In preparing the statements of net assets in liquidation, the Plan Administrator has made various estimates that may affect reported amounts and disclosures. Estimates are based on available information and judgment. Actual results could differ from estimates and could have a material effect on the statements of net assets in liquidation. As more information becomes available to the Plan Administrator, including the outcome of various negotiations and litigation, amongst other matters, it is expected that estimates could be revised. Such revisions may be material.

Note 3: Schedules of Cash Flows*Expense reimbursement from/to debtor affiliates*

Holdings Ltd. and Holdings USA incur disbursements for operating costs and professional fees on behalf of all three remaining Debtors, and in return are reimbursed by each Debtor for such Debtor's allocated portion of these expenses.

Pre-petition receivables from non-debtor affiliates

During the period, MF Global UK Limited ("MFGUK") made a 2.2% distribution to general unsecured creditors and Holdings USA and Holdings Ltd. received \$0.4 million and \$0.3 million, respectively. In addition, Holdings Ltd. also received a distribution of \$0.1 million from MF Global Australia Limited ("Australia").

Other cash inflows

During the period, Holdings Ltd. received \$2.5 million related to a confidential settlement funding and \$0.1 million in reimbursements of defense costs incurred in connection with the WARN litigation which were allocated to Holdings USA. In addition, Holdings USA received a \$0.1 million recovery from previously unclaimed property. Finally, the Debtors collectively earned \$0.1 million in interest on cash balances.

Other cash outflows

During the period, the Bankruptcy Court approved the settlement agreement between and among the WARN litigation plaintiffs and Holdings Ltd., Holdings USA, and Finance USA resolving the WARN litigation on a final basis [Adv. Pro. No. 11-02880 (MG); Docket No. 204] and as a result, Holdings USA paid \$5.3 million to the WARN settlement Administrator pursuant to the terms of the settlement.

Note 4: Receivables

The Plan Administrator has presented all receivables on a net basis, categorized by owing entity and whether the receivable was generated before or after the Debtors' respective Petition Date. The three types of owing parties are defined as follows: (i) "Non-affiliates" refer to third-parties, who were not a direct or indirect subsidiary of Holdings Ltd. on October 31, 2011; (ii) "Debtor affiliate" refers to one of the Debtors that is being jointly administered with Holdings Ltd.; and (iii) "Other affiliates" refer to non-Debtor entities that were a direct or indirect subsidiary of Holdings Ltd. on October 31, 2011.

"Debtor affiliate pre-petition receivables" include amounts per the Intercompany Settlement contained in the Second Amended Plan. Per the Second Amended Plan, Holdings Ltd.'s right to receive distributions on account of \$275,000,000 of its \$1,886,930,980 claim against Finance USA is subordinated to the rights of the holders of the Allowed Class 5B Liquidity Facility Unsecured Claims² until such time that the Class 5B Liquidity Facility Unsecured Claims are paid in full. Below is a roll forward of Debtor affiliate pre-petition receivables as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ 258,790,163	\$ 1,886,952,872	\$ 27,939,696	\$ 2,173,682,731
Distributions received	(46,403,405)	(482,531,296)	(390,849)	(529,325,551)
Asset assignment from other affiliates	-	673,651	-	673,651
Balance at June 30, 2016	\$ 212,386,758	\$ 1,405,095,226	\$ 27,548,846	\$ 1,645,030,830
Distributions received	-	-	-	-
Balance at September 30, 2016	\$ 212,386,758	\$ 1,405,095,226	\$ 27,548,846	\$ 1,645,030,830

"Other affiliate pre-petition receivables" contain pre-petition amounts owed from non-debtor former MF Global affiliates. The impact of exchange rate fluctuations on receivables denominated in foreign currency is recorded in these assets. During the period, Holdings USA and Holdings Ltd. received distributions of \$0.4 million and \$0.3 million, respectively, from MFGUK. In addition, Holdings Ltd. also received a distribution of \$0.1 million from Australia. Below is a roll forward of other affiliate pre-petition receivables as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ 1,555,558,294	\$ 134,072,690	\$ 165,616,158	\$ 1,855,247,142
Distributions received	(814,378,506)	(36,078,121)	(25,919,343)	(876,375,970)
Distribution credit from MFGI	-	(3,438,445)	-	(3,438,445)
MFGI Sub-Debt w/rite-off	(470,000,000)	-	(130,000,000)	(600,000,000)
Asset assignments from other affiliates	-	1,047,461	-	1,047,461
Foreign exchange movements	-	(5,632,848)	(405,409)	(6,038,257)
MFGAA Member contributions	(268,679,788)	(12,615,157)	(5,307,514)	(286,602,459)
Other cash received	-	-	(30,000)	(30,000)
MF Global Holdings Overseas Limited ("MFGHOL") loan repayments	-	(22,145,794)	-	(22,145,794)
Balance at June 30, 2016	\$ 2,500,000	\$ 55,209,786	\$ 3,953,892	\$ 61,663,678
Distributions received	-	(348,968)	(400,232)	(749,200)
Other affiliate w/rite-downs/offers	-	(523,150)	(523,132)	(1,046,283)
Foreign exchange movements	-	(749,898)	(64,954)	(814,852)
Balance at September 30, 2016	\$ 2,500,000	\$ 53,587,769	\$ 2,965,575	\$ 59,053,343

"Debtor affiliate post-petition receivables" contain amounts owed between Debtors for post-petition obligations arising from the operating expenses of the Debtors' estates.

"Other affiliate post-petition receivables" contain post-petition amounts owed from non-debtor former MF Global affiliates. Below is a roll forward of other affiliate post-petition receivables as of September 30, 2016.

² As such term is defined in the Second Amended Plan.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ -	\$ 5,874,116	\$ 43,766	\$ 5,917,882
MFGHOL accrued interest repayments	-	(7,054,206)	-	(7,054,206)
Interest income on MFGHOL loan	-	4,935,442	-	4,935,442
Other cash received	-	(2,014,104)	(46,406)	(2,060,510)
Other fees	-	-	2,640	2,640
Balance at June 30, 2016	\$ -	\$ 1,741,248	\$ -	\$ 1,741,248
Interest income on MFGHOL loan	-	597,598	-	597,598
Balance at September 30, 2016	\$ -	\$ 2,338,846	\$ -	\$ 2,338,846

Receivables are reported at the face amount of the receivable or at settlement agreement value, less amounts received through the end of the reporting period. Provisions and write-downs to receivables may be recorded in the future when greater clarity on the financial situation of each counterparty and collectability of each receivable becomes known.

Note 5: Other Assets

The Plan Administrator does not have current valuations of all assets as of the reporting date. Other Assets include professional fee retainers and security deposits, as well as receivables arising from the purchase of claims filed against MFGUK that had payment guarantees from Holdings Ltd. and the assignment of certain insurance litigation from MFGI. Pursuant to an Assignment Agreement between the SIPA Trustee and Finance USA dated May 23, 2014, the SIPA Trustee assigned his rights in certain insurance litigation related to the unauthorized trading activity of Evan Dooley to Finance USA in exchange for, among other things, \$102.0 million. In order to effect this \$102.0 million payment, the SIPA Trustee, as permitted by the Assignment Agreement, withheld \$102.0 million from the distributions made from MFGI on October 31, 2014 that otherwise would have been distributed to Finance USA. Amounts ultimately realized may vary materially from amounts currently recorded in the statements of net assets in liquidation. Additional information on potential ranges of recoveries by the Debtors is included in the Disclosure Statement for the Amended Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code for the Debtors (as supplemented "Disclosure Statement") (Docket Nos. 1111-1 & 1193). Accordingly, the Plan Administrator may amend or adjust the value of these assets in the future.

Note 6: MF Global Assigned Assets LLC

On September 8, 2015, pursuant to the Sale and Assumption Agreement, the Plan Administrator designated Assigned Assets its assignee under the agreement and the Members made an initial capital contribution in the form of an assignment of all of that Member's rights and interests in its MFGI claims in exchange for a ratable membership interest. Subsequent to the capital contribution, solvent former Debtors Capital and FX Clear assigned all assets and MFGAA interests to their direct parent entity Holdings USA and in March 2016, Special Investor and FX LLC also assigned all assets and MFGAA interests to their direct parent entities Holdings Ltd. and Holdings USA, respectively. Below is a breakdown of the allowed general unsecured claim each Member held at MFGI as well as the corresponding membership percentage in Assigned Assets, both at the time of the initial contribution and at September 30, 2016.

Member	Allowed General Unsecured Claim at MFGI	Membership Percentage as of September 8, 2105	Membership Percentage as of September 30, 2106
MF Global Finance USA Inc.	\$ 1,033,383,802	88.862192%	88.862192%
MF Global Holdings Ltd.	48,712,140	4.188829%	7.952576%
MF Global Special Investor LLC	43,768,836	3.763747%	0%
MF Global Holdings USA Inc.	33,656,292	2.894154%	3.185234%
MF Global Capital LLC	3,044,660	0.261815%	0%
MF Global FX Clear LLC	311,014	0.026745%	0%
MF Global FX LLC	29,300	0.002520%	0%
TOTAL	\$ 1,162,906,045	100%	100%

During the period, MFGUK made a 2.2% distribution to general unsecured creditors and Assigned Assets received \$5.9 million. In addition, Assigned Assets received a \$0.3 million reimbursement from MF Global Assurance Co. Limited for the fees incurred by the SIPA Trustee, and the settlement amounts paid by MFGI, in connection with two pre-bankruptcy litigations. Below is a roll forward of selected balance sheet accounts of Assigned Assets as of September 30, 2016.

	Cash	MFGUK Receivable	Other Accounts Receivable (at face amounts)	Other Assets ⁽¹⁾	Equity - Member contributions of MFGI claims
Balance at September 30, 2015	\$ 58,669,784	\$ 37,874,962	\$ 1,059,924	\$ 204,673,608	\$ 302,278,278
Post-closing distributions from MFGI	36,976,177	-	-	(36,284,252)	691,925
Distributions to Members	(94,308,694)	-	-	-	(94,308,694)
Assigned receivables from MFGI	-	-	1,048,302	(1,048,302)	-
DTCC distribution	1,393,571	-	-	(1,393,571)	-
Foreign exchange movements	-	(4,419,545)	-	-	(4,419,545)
Cash received	941,179	-	(944,153)	(134,678)	(137,651)
Operating expenses	(2,271,225)	-	-	-	(2,271,225)
Interest on cash balances	37,828	-	-	-	37,828
Balance at June 30, 2016	\$ 1,438,619	\$ 33,455,417	\$ 1,164,074	\$ 165,812,806	\$ 201,870,916
MF Global UK Limited distribution	5,940,659	(5,940,659)	-	-	-
Foreign exchange movements	-	(888,659)	-	-	(888,659)
Cash received	371,757	-	-	-	371,757
Operating expenses	(544,227)	-	-	-	(544,227)
Interest on cash balances	3,852	-	-	-	3,852
Balance at September 30, 2016	\$ 7,210,660	\$ 26,626,100	\$ 1,164,074	\$ 165,812,806	\$ 200,813,639

⁽¹⁾ Other assets are reported at the carrying amount of the remaining uncollected balance of the former MFGI claims. Provisions and adjustments may be recorded in the future when greater clarity on collectability becomes known.

Note 7: Foreign Currency

The functional currency of each of the Debtors is U.S. dollars. The Debtors hold receivables from former UK affiliates of approximately £21.0 million as of the reporting date, and those balances have been converted to U.S. dollars as of the reporting date for presentation purposes. The GBP/USD exchange rate used at September 30, 2016 was 1.30059 compared to the June 30, 2016 rate of 1.33949. As of September 30, 2016, the breakdown of these receivables in pounds sterling is as follows:

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at June 30, 2016	£ -	£ 611,512	£ 1,703,384	£ 2,314,896
Distributions received	-	(147,429)	(307,168)	(454,597)
Total MF Global UK Limited claim remaining at September 30, 2016	£ -	£ 464,083	£ 1,396,217	£ 1,860,300
Balance at June 30, 2016	£ -	£ 19,111,852	£ -	£ 19,111,852
Distributions received	-	-	-	-
Total MF Global Finance Europe Limited claims remaining at September 30, 2016	£ -	£ 19,111,852	£ -	£ 19,111,852
Total receivables in GBP at June 30, 2016	£ -	£ 19,575,935	£ 1,396,217	£ 20,972,152

In addition to the direct foreign currency exposure detailed above, the Debtors also have indirect exposure resulting from the Debtors' claims against, and interests in, certain former MF Global affiliates, which in turn have asset recoveries with direct foreign currency exposure. The largest example is the Debtors' combined interests in MFGAA, which has remaining pound sterling exposure due to its claims against the MFGUK estate. The Debtors have also filed claims against other former affiliates in U.S. dollars that may be allowed in local currency, causing additional foreign currency exposure. While the Debtors' largest currency exposure (direct and indirect) is pound sterling, the Debtors' also have direct and/or indirect exposure to Singapore dollars, New Taiwan dollars, Australian dollars, Hong Kong dollars and Canadian dollars, amongst other currencies. The Debtors have not hedged any foreign currency exposure.

Note 8: Liabilities Subject to Compromise

Liabilities subject to compromise include claims filed by creditors asserting obligations incurred prior to the Debtors' respective Petition Dates, which have not yet been withdrawn, expunged, resolved, or paid and satisfied. Liabilities subject to compromise do not represent the amounts that may ultimately be paid in respect of such claims. Liabilities subject to compromise exclude claims and interests classified as either preferred interests or common interests. Additional information on potential ranges of recoveries to holders of allowed pre-petition claims is included in the Disclosure Statement.

"Claims Subject to Reconciliation" and "Subordinated Claims not Allowed" refer to claims filed for potential pre-petition obligations, for which reconciliation of the claims has not yet been completed. The amounts of the claims are reported at the face values of the claims, which do not necessarily represent the amounts that may ultimately be allowed, if any. Claims filed for unliquidated amounts are presented at zero value until reconciliations of the claims are completed.

Included in Claims Subject to Reconciliation are amounts claimed for which objections may be filed in the Bankruptcy Court, as well as subordinated claims which are not expected to be allowed or receive distributions. If objections are sustained, the related claimed amounts will be withdrawn and removed from Claims Subject to Reconciliation. There is no guarantee that the Bankruptcy Court will sustain objections. If objections are not sustained, the claimed amounts will either remain in Claims Subject to Reconciliation or be reclassified to Allowed Claims, as appropriate.

“Allowed claims – Debtor affiliate” refers to claims allowed by the Second Amended Plan for pre-petition obligations between the Debtors, and are reported at the allowed values of the claims less any distributions that have been made. These balances include amounts allowed by the Intercompany Settlement as defined in the Second Amended Plan. Below is a roll forward of allowed claims – debtor affiliate as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ (1,893,080,591)	\$ (30,270,015)	\$ (258,790,163)	\$ (2,182,140,769)
Distribution payments	484,328,737	7,030,060	46,403,405	537,762,202
Balance at June 30, 2016	\$ (1,408,751,854)	\$ (23,239,955)	\$ (212,386,758)	\$ (1,644,378,567)
Distribution payments	-	-	-	-
Balance at September 30, 2016	\$ (1,408,751,854)	\$ (23,239,955)	\$ (212,386,758)	\$ (1,644,378,567)

“Allowed claims – Other affiliate” refers to non-Debtor entities that were a direct or indirect subsidiary of Holdings Ltd. on October 31, 2011, and are reported at the allowed values of the claims less any distributions that have been made. Below is a roll forward of allowed claims – other affiliate as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ (4,666,462)	\$ (1,019,133)	\$ (94,356)	\$ (5,779,951)
Distribution payments	1,396,779	236,689	-	1,633,468
Asset assignment from other affiliates	-	-	17,127	17,127
Balance at June 30, 2016	\$ (3,269,682)	\$ (782,445)	\$ (77,229)	\$ (4,129,356)
Distribution payments	-	-	-	-
Balance at September 30, 2016	\$ (3,269,682)	\$ (782,445)	\$ (77,229)	\$ (4,129,356)

“Allowed claims – Liquidity Facility Unsecured Claim” refers to the unsecured claims allowed under the Second Amended Plan for the revolving credit facility dated as of June 15, 2007 for which Holdings Ltd. and Finance USA were borrowers, and are reported at the allowed values of the claims less any distributions that have been made. Below is a roll forward of allowed claims – liquidity facility unsecured claim as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ (1,152,200,622)	\$ (1,152,200,622)	\$ -	\$ (2,304,401,244)
Distribution payments on \$1,152 million allowed claim	344,880,147	267,592,833	-	612,472,980
Distribution payments on \$275 million settlement	82,313,825	-	-	82,313,825
Balance at June 30, 2016	\$ (725,006,650)	\$ (884,607,789)	\$ -	\$ (1,609,614,439)
Distribution payments	-	-	-	-
Balance at September 30, 2016	\$ (725,006,650)	\$ (884,607,789)	\$ -	\$ (1,609,614,439)

“Allowed claims – Notes Claim” refers to the claim for principal and interest allowed under the Second Amended Plan for the (a) 1.875% convertible senior notes due 2016, (b) 9% convertible senior notes due 2038, (c) 3.375% convertible senior notes due 2018, and (d) 6.25% senior notes due 2016, and is reported at the allowed value of the claim less any distributions that have been made. Below is a roll forward of allowed claims – notes claim as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ -	\$ (1,027,548,593)	\$ -	\$ (1,027,548,593)
Distribution payments	-	238,643,023	-	238,643,023
Balance at June 30, 2016	\$ -	\$ (788,905,570)	\$ -	\$ (788,905,570)
Distribution payments	-	-	-	-
Balance at September 30, 2016	\$ -	\$ (788,905,570)	\$ -	\$ (788,905,570)

“Allowed claims – Other unsecured” represents all other currently allowed and unpaid general unsecured claims filed for pre-petition obligations and are reported at the allowed values of the claims less any distributions that have been made. Below is a roll forward of allowed claims – other unsecured as of September 30, 2016.

	MF Global Finance USA Inc.	MF Global Holdings Ltd.	MF Global Holdings USA Inc.	Total
Balance at September 30, 2014	\$ -	\$ (39,814,603)	\$ (21,603,980)	\$ (61,418,583)
Allowed claims	-	(1,998,225)	(2,974,413)	(4,972,637)
Withdraw n claims	-	3,598,197	-	3,598,197
Distribution payments	-	9,719,217	5,424,584	15,143,800
Balance at June 30, 2016	\$ -	\$ (28,495,414)	\$ (19,153,809)	\$ (47,649,223)
Allowed claims	-	(448,359)	(126,670)	(575,029)
Distribution payments	-	816,165	-	816,165
Balance at September 30, 2016	\$ -	\$ (28,127,607)	\$ (19,280,480)	\$ (47,408,087)

“Allowed claims – Subordinated” represents currently allowed and unpaid claims filed for pre-petition obligations that have been subordinated and are reported at the allowed values of the claims. As of September 30, 2016, no distributions have been made on the \$106.1 million subordinated claims allowed at Holdings Ltd.

Note 9: Liabilities to be Settled in Full

Liabilities to be Settled in Full represent liabilities that are expected to be paid at 100% of the reported amount.

- “Administrative, secured and priority” refer to claims filed for obligations incurred after the Debtors’ respective Petition Dates and prior to the Effective Date, claims secured by a lien on property in which the Debtors have an interest, or claims entitled to priority in payment pursuant to the Bankruptcy Code, all as defined by the Second Amended Plan.
- “Debtor and other affiliate charges” refer to amounts owed between Debtors or other controlled affiliates for post-petition obligations arising from the operating expenses of the Debtors’ estates or the assignment of assets from non-Debtors.

Note 10: Professional Fees

Professional Fees are presented based on the date incurred and include amounts that have been incurred but are unpaid for professionals retained by the Plan Administrator on behalf of the Debtors through the reporting date. Amounts accrued for Professional Fees include invoices received and estimates.

Note 11: Estimated Plan Administration Expenses

Estimated Plan Administration Expenses represent (i) an estimate of future operating expenses and professional fees (including litigation costs) and (ii) accrued, but unpaid, operating expenses. The Plan Administrator may revise the estimate of future Plan Administration Expenses periodically, as necessary.

Note 12: Subsequent Events

The Plan Administrator has recorded amounts in the financial statements as of the reporting date based on the information available at the time the review was performed. Any events subsequent to the time of the review are not reflected in the statements of net assets in liquidation or schedule of cash flows and will be reflected in future QORs.

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MATERIAL EVENTS

For the period ending September 30, 2016

	Event	Yes	No	Notes
1	Any settlement of an individual Claim greater than \$25 million		X	
2	Any litigation settlement where the Cause of Action was greater than \$25 million or the settlement is for more than \$25 million		X	
3	Any sale of Property of the Estate where the face amount of such asset is \$25 million or greater		X	
4	Other significant events	X		(i) - (iii)

- (i) On July 20, 2016, the Plan Administrator, on behalf of itself and its affiliates including MFGAA, and Nader Tavakoli, as Litigation Trustee for the Litigation Trust (collectively, the “MFG Plaintiffs”), filed a joint motion pursuant to Bankruptcy Rule 9019 together with supporting declarations and exhibits (the “9019 Motion”) seeking Bankruptcy Court approval of the Stipulation and Settlement Agreement dated as of July 6, 2016 (the “Global Settlement”) among the MFG Plaintiffs, the Customer Class Representatives, and Sapere CTA Fund LP as Plaintiffs and Jon Corzine, Bradley Abelow, Henri Steenkamp, David Dunne, Edith O’Brien and Vinay Mahajan as Defendants, resolving Plaintiffs’ claims in the Multidistrict Litigation (the “MDL”) pending against Defendants. [See In re MF Global Holdings, Ltd., et al. Chapter 11 Case No. 11-15059 (MG) D.I. 2271] The MFG Plaintiffs also filed a related Stipulation to modify the Plan Injunction [Id. D.I. 2269] and motion to file certain confidential documents under seal [Id. D.I. 2270].

As set forth more fully in the 9019 Motion, the proposed Global Settlement requires confidential contributions from certain Defendants and contribution or assignment of all remaining D&O and E&O policy limits totaling approximately \$184 million, which is comprised of the remaining policy limits committed to the Global Settlement of \$159 million and assignment to the MFG Plaintiffs of Defendants’ rights to pursue additional policy limits of \$25 million from certain E&O insurers who refused to fund the settlement. Gross recoveries to the estates will be reduced by hold-backs to settle or create reserves for all claims against the Defendants in the MDL litigation, including the CFTC action, Sapere action, and Customer Class interest claims, and certain fees and costs, including Customer Class counsel fees.

On August 24, 2016, the MFG Plaintiffs filed a motion seeking approval of the distribution and allocation of the proceeds available under the Global Settlement among the MFG Plaintiffs [Id. D.I. 2291]. A separate motion will seek approval of the distribution protocol for the Litigation Trust’s share of the proceeds. Once all approvals are obtained, distributions will be made to creditors, expected at the earliest to be Q4 of 2016, no earlier than the expected Effective Date of the Global Settlement (anticipated to be November 18, 2016). The amount and timing of any recoveries and distributions is still subject to various court approvals and therefore no estimates of any recoveries or timetables can be made with certainty.

- (ii) On August 24, 2016, the Bankruptcy Court approved the settlement agreement between and among the WARN litigation plaintiffs and Holdings Ltd., Holdings USA, and Finance USA resolving the WARN litigation on a final basis [Adv. Pro. No. 11-02880 (MG); Docket No. 204] and as a result, Holdings USA paid \$5.3 million to the WARN settlement Administrator pursuant to the terms of the settlement.
- (iii) On March 28, 2014, the Plan Administrator, filed a lawsuit in the Southern District of New York against PricewaterhouseCoopers LLP (“PwC”), Holdings Ltd.’s long-time external auditors and accounting experts. The complaint alleges that PwC committed professional malpractice in connection with erroneous accounting advice and audit services concerning the use of repurchase-to-maturity financing transactions and off-balance-sheet accounting for the company’s investment in billions of dollars worth of European sovereign debt and concerning over \$100.0 million in deferred tax assets. The complaint seeks an amount to be determined at trial but not less than \$1.0 billion. [See MF Global Holdings Ltd., as Plan Administrator v. PricewaterhouseCoopers LLP, No. 14-cv-2197-VM] On January 29, 2016, PwC filed a motion for summary judgment and on August 5, 2016 the Court entered a Decision and Order denying PwC’s motion. On August 18, 2016 Judge Marrero scheduled trial to commence on February 13, 2017 and also referred the matter to Magistrate Judge Francis for settlement discussions prior to trial.

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May 5, 2014

VIA E-MAIL

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Re: Insured: MF Global, Inc., a subsidiary of MF Global Holdings Ltd.
Policy Nos.: 1-18001-00-11, 1-18002-00-11, 1-18003-00-11,
1-18004-00-11, 1-18005-00-11, 1-18005-01-11,
1-18006-00-11, 1-18009-00-11, 1-18010-00-11,
1-18011-00-11, 1-18011-01-11, 1-18012-00-11
Policy Period: May 31, 2011 to May 31, 2012

Dear Mr. Doody, Mr. Fried, Ms. Tkac, Mr. McCarrick and Ms. Barry:

I write on behalf of James W. Giddens, SIPA Trustee for MF Global, Inc. (“MFGI”) and assignee and subrogee of the claims of MFGI’s former customers related to the class action, with the concurrence of MF Global Holdings, Ltd. (“MFGH”). The SIPA Trustee has now completed the process of determining all customer claims asserted in the SIPA proceeding and has substantially completed the process of marshaling the assets of the MFGI estate. As a result of these exhaustive efforts, the customer claims against MFGI arising from the failure to properly segregate customer funds has been conclusively quantified at \$548.4

million. As this amount exceeds the remaining coverage under the Policies, the SIPA Trustee demands that MFG Assurance Company, Ltd. (“MFGA”) tender the remaining limits of the above-referenced policies (the “Policies”) to MFGI in order to satisfy the claims against MFGI by its former customers and to fulfill MFGA’s long overdue obligations to MFGI as an insured under the Policies in connection with those customer claims.¹

Since your insured, MFGI, first submitted its claim for coverage of the customer claims to MFGA on March 28, 2012, MFGA has steadfastly refused to pay on the claim under a reservation of rights. Without repeating the entirety of our prior correspondence, which we incorporate here by reference, the SIPA Trustee, the MFGH Trustee, the U.S. Congressional Committee on Financial Services, and the U.S. Commodity Futures Trading Commission (“CFTC”) have all concluded that individuals at MFGI failed to properly segregate customer funds, in violation of, among other things, statutory obligations. That failure irrefutably constitutes a wrongful act as defined by the Policies, mandating coverage for MFGI’s loss as measured by the customers’ proofs of claim filed against MFGI in MFGI’s SIPA proceeding and similar claims in the class action. Judge Marrero, in denying motions to dismiss the claims brought in the consolidated securities class action, concluded:

Plaintiffs’ allegations suggest a long, knowing and consistent course of action on the part of the various Defendants, wrongful conduct that cumulatively produced the harmful outcome that came to pass. Moreover this account is not based on pure speculation or the traditional pleading foundation grounded on information and belief. Rather, Plaintiffs’ portrayal of the facts possesses an added measure of reliability and plausibility. It draws heavily from the public record of information generated by various investigations performed by government regulators and congressional committees.

See In re MF Global Holdings Secs. Litig., No. 11 Civ. 7866 (VM), 2013 U.S. Dist. LEXIS 161224, 18-19 (S.D.N.Y. Nov. 12, 2013). In denying motions to dismiss the claims brought in the customer class action, Judge Marrero reiterated:

[T]he D&O Defendants cannot overcome the inconvenient reality that the facts contained in the CAC, if true, give rise to two reasonable inferences; that a massive collapse such as that which MF Global experienced does not occur in a vacuum, nor in a corporate environment characterized by diligent management and vigilant oversight by officers and directors; and that in this case senior MF Global and MFGI officers failed in properly exercising their legal responsibilities to MFGI's customers.

Deangelis v. Corzine (In re MF Global Holdings Inv. Litig.), No. 11 Civ. 7866 (VM), 2014 U.S. Dist. LEXIS 17205 (S.D.N.Y. Feb. 11, 2014).

¹ All customer claims against the MFGI estate for which coverage is sought are publicly available through the claims register on the MFGI bankruptcy website at <http://dm.epiq11.com/MFG2/Claim>.

The defendants' conduct in failing to maintain the segregation of customer funds and allowing or directing their use for other purposes are "wrongful acts" under the Policies that "[arise] out of the provision of, or failure to provide the services" for customers or clients. There is nothing more basic to the "provision of services" of a regulated futures commissions merchant ("FCM") and broker-dealer than maintaining custody, segregation, and accurate records of customer property and complying with the customer protection rules governing the conduct of an FCM that allow it to do business. It cannot be disputed that the business MFGI, its officers, directors and employees conducted and the services it provided to its commodities and futures customers were required to be conducted in accordance with the Commodity Exchange Act and regulations issued by the CFTC. These regulations prescribed how those services were to be performed, including maintaining customer funds in segregated accounts. The loss of customer funds clearly was a loss caused by a failure to provide mandated services to MFGI's customers and "other wrongful acts."

Further, in light of recent decisions from the Bankruptcy Court and District Court, there is no longer any question as to the magnitude of the loss suffered by MFGI's customers as a result of these "wrongful acts." As you are aware, on November 6, 2013, Judge Glenn entered an Order (the "November 6 Order") authorizing the SIPA Trustee to advance funds from MFGI's general estate in order to effectuate a 100% distribution to MFGI's commodities customers. I attach a copy of that order here. The November 6 Order explicitly recognizes a \$560 million deficit, which is now \$548.4 million in MFGI's commodities customer estates.² On February 20, 2014, Judge Marrero affirmed the Bankruptcy Court's November 6 Order, holding that the Bankruptcy Court "based its determination on an adequate record and with a substantial basis in fact." See *PriceWaterhouseCoopers LLP v. Giddens (In re MF Global, Inc.)*, No. 13 Civ. 8893 (VM), 2014 U.S. Dist. LEXIS 23433 (S.D.N.Y. Feb. 20, 2014) ("[T]he Court affirms the Bankruptcy Court's finding of a shortfall in the customer estates."). MFGA can no longer feign doubt that the customer claims against MFGI are covered, that those claims amount to a damages level that far exceeds the E&O Policy limits, and that such damages represent a covered loss under those Policies. In sum, the \$548.4 million deficit dwarfs the remaining untapped limits of approximately \$146 million in available professional liability coverage.

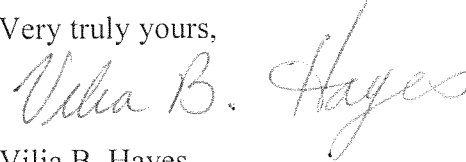
MFGA has delayed far too long already in owning up to its coverage obligations to the SIPA Trustee as successor to MFGI (as an insured under the Policies against whom covered claims have been brought) and as assignee and subrogee of the claims of MFGI's customers asserted in the class action. The SIPA Trustee has duties to customers and creditors that are unnecessarily being prejudiced by MFGA's unreasonable tactics of delay and diversion. The time for MFGA to claim a need to "wait and see" with respect to acknowledging the existence of a covered loss in excess of the limits of the Policies has long since passed, and MFGA should pay whatever limits remain as of the date of this letter without further delay. MFGA has no excuse for any additional delay in distributing whatever limits remain to MFGI in

² The \$560 million deficit referenced in the November 6 Order was subsequently reduced by \$11.6 million as a result of the Trustee's settlement with the CME.

satisfaction of the customer claims and MFGI's attendant loss under the Policies. We therefore demand payment of the full available policy limits of the E&O tower in satisfaction of the claim the SIPA Trustee has asserted against this coverage. The SIPA Trustee reserves all of MFGI's rights under the Policies and at law.

We look forward to your response.

Very truly yours,

A handwritten signature in cursive script that reads "Vilia B. Hayes". The signature is written in dark ink and is positioned to the right of the typed name.

Vilia B. Hayes

cc: Leslie S. Ahari
James A. Skarzynski.
Mary Anne Mullin
Edward J. Kirk
Robert A. Benjamin
Scott R. Schaffer
Bruce Bennett
David W. Steuber
Jennifer J. O'Neil

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

MF GLOBAL INC.,

Debtor.

Case No. 11-2790 (MG) SIPA

**ORDER GRANTING THE TRUSTEE’S MOTION TO (I) APPROVE THE
TRUSTEE’S ALLOCATION OF PROPERTY AND (II) APPROVE AN
ADVANCE OF GENERAL ESTATE PROPERTY FOR THE PURPOSE OF
MAKING A FINAL 100% DISTRIBUTION TO FORMER COMMODITY
FUTURES CUSTOMERS OF MF GLOBAL INC.**

Upon consideration of the Motion¹ dated October 2, 2013, of James W. Giddens (the “Trustee”), as Trustee for the liquidation of MF Global Inc. (“MFGI” or the “Debtor”) under the Securities Investor Protection Act (“SIPA”), pursuant to section 105(a) of title 11 of the United States Code (the “Bankruptcy Code”), and 17 C.F.R. sections 190.01 through 190.10 (the “Part 190 Regulations” or the “CFTC Rules”) for entry of an order (i) approving the Trustee’s final allocation of property between the customer and general estates; and (ii) authorizing the Trustee to advance property from other sources for allocation to the 4d and 30.7 Estates and to permit distribution of such property to permit one hundred percent distribution of all allowed customer net equity claims; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with SIPA § 78eee(b)(4); and venue being proper before this Court pursuant to SIPA § 78eee(a)(3) and 15 U.S.C. § 78aa; and upon consideration of the Motion, any objections thereto, briefs and arguments of counsel, the Affidavit of Josiah S. Trager executed on October 2, 2013; and due and proper notice of the Motion having been provided, including in accordance with the Amended Case Management Order, to all parties in interest,

¹ Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion.

and it appearing that the notice of the Motion is sufficient, adequate, and timely under the circumstances of this case and that no other or further notices need be provided; and a reasonable opportunity to object or be heard regarding the motion having been given to all such parties; and a full and fair opportunity having been afforded to litigate all issues raised in all objections, or which might have been raised, and all objections having been fully and fairly litigated;

ORDERED, that the Motion is granted in all respects; and it is further

ORDERED, the DCO Customer Property, the Segregated Bank Property, the Secured Bank Property, the Customer Post-Petition Income, the Customer Account Debits, the Account 9102591063 Balance, the MFG Canada Settlement Payment, the Initial MFGUK Distribution and the Future MFGUK Distributions constitute customer property as defined in Section 761(10) of the Bankruptcy Code and CFTC Rule 190.08(a)(i)-(ii); and it is further

ORDERED, that the Trustee's allocation of DCO Customer Property, the Segregated Bank Property, the Secured Bank Property, the Customer Post-Petition Income, the Customer Account Debits, the Account 9102591063 Balance, the MFG Canada Settlement Payment, the Initial MFGUK Distribution and the Future MFGUK Distributions to the 4d and 30.7 Estates as detailed in the Motion is approved; and it is further

ORDERED, that the Marshaled Proprietary Property, the CME Proprietary Assets, and the Returned Collateral are property of the general estate of MFGI; and it is further

ORDERED, that the Securities Excess is property of the general estate of MFGI pursuant to SIPA § 78fff-2(c)(1); and it is further

ORDERED, that the Trustee is authorized to advance funds from the general estate of MFGI, in an amount that does not vary materially from \$233 million, to the 4d and 30.7 customer estates in order to satisfy all allowed customer net equity claims and that this advance,

as well as all previous advances authorized by the Court are now final and complete and are based on this Court's determination that the total current deficit across the commodities estates is at least \$560 million (\$345 million in the 4(d) Estate and \$215 million in the 30.7 Estate); and it is further

ORDERED, that the Trustee is authorized to allocate the funds advanced from the general estate of MFGI between the 4d and 30.7 Estates in such a manner so as to allow the full satisfaction of all allowed customer net equity claims; and it is further

ORDERED, that once all allowed customer claims are satisfied, any property hereafter recovered by the Trustee will be directed to the general estate of MFGI, including the Future MFGUK Distributions; and it is further

ORDERED that, the Trustee, acting as representative of the MFGI general estate and its creditors, is the assignee of, and otherwise subrogated to, the rights of all customers and is hereby specifically authorized by this Court to pursue claims against third parties based on the deficit in the 4d and 30.7 customer estates to the extent that general estate funds have been advanced (either by prior Order of the Court or pursuant to this Order) to satisfy allowed customer net equity claims (the "Assigned Claims"), including without limitation the right to receive any and all recoveries recovered or collected by the Customer Representatives in the Customer Class Action or in connection with the Customer Class Action solely in satisfaction of those Assigned Claims. For avoidance of doubt, all potential claims of customers against third parties to recover for the shortfall in the 4d and 30.7 Estates in existence as of the moment before any advances of funds from the general estate (which this Court finds to be in the amount of at least \$632 million) shall be preserved for the benefit of the Trustee as assignee and subrogee; and it is further

ORDERED, that the Assignment Agreement is approved; and it is further

ORDERED, that pursuant to the Trustee's assignment of general creditor claims to the Customer Representatives contained in the Continued Cooperation and Assignment Agreement approved on October 11, 2012, the Customer Representatives will continue to pursue and enforce the Assigned Claims subject to the terms of the Continued Cooperation and Assignment Agreement and the Customer Representatives' interim co-lead counsel and executive committee counsel are entitled to seek reasonable fees pursuant to terms of the Continued Cooperation and Assignment Agreement , and it is further

ORDERED, that pursuant to the Part 190 Regulations, the Trustee is authorized and shall use his best efforts to distribute all property constituting the 30.7 and 4d Estate or advanced to the 30.7 and 4d Estate (either through this Order or by any previous Order of the Court) in order to effect one hundred percent distributions to all unpaid allowed customer net equity claims; and it is further

ORDERED, that the Trustee is authorized to take any and all actions reasonably necessary to effectuate the relief granted in this Order; and it is further

ORDERED, that the Court shall retain jurisdiction to hear and determine all matters arising from or related to this order

ORDERED that this Order shall be effective and enforceable immediately upon entry and shall constitute a final order within the meaning of 28 U.S.C. § 158(a). To the extent applicable, Bankruptcy Rule 6004(h) is hereby waived.

Dated: November 6, 2013
New York, New York

/s/Martin Glenn
MARTIN GLENN
United States Bankruptcy Judge



Matthew J. Schlesinger
Direct Phone: +1 202 414 9423
Email: mschlesinger@reedsmith.com

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Fax +1 202 414 9299
reedsmith.com

April 27, 2015

Via Email

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New York, NY 10119-4115
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Edward.kirk@clydeco.us

**Re: *In re MF Global Holdings Ltd. Investment Litigation (DeAngelis v. Corzine)*
No. 11-cv-7866 (VM) (JCF)**

Dear Counsel:

As you know, we serve as coverage counsel for defendants Bradley I. Abelow, Jon S. Corzine, David Dunne, Vinay Mahajan, Edith O'Brien, and Henri J. Steenkamp (collectively, the "E&O Defendants"). We write to you specifically in light of the refusal of some or all of your clients' ("Dissenting E&O Insurers" or "Dissenters")¹, unlike the other E&O Insurers, to provide any coverage at all – or at least any meaningful amount – toward a settlement to include the Customer Action.² Given this matter can be settled within limits and the potential financial exposure the E&O Defendants face if the E&O Insurers refuse to settle now, the E&O Defendants again demand that the Dissenters and the E&O Insurers generally make their limits available for such a settlement. Under New York law, the Dissenters' (or other E&O Insurers') failure to settle this case within policy limits will expose them to damages for any amount awarded against the E&O Defendants in excess of those limits.

¹ The Dissenters are: ACE American Insurance Company, Allied World Assurance Company Ltd., Iron-Starr Excess Agency, Ltd., Ironshore Indemnity, Inc. and Federal Insurance Company.

² To the extent any other E&O Insurer is refusing to make available its full limits toward a settlement, this letter applies to it as well. We copy all other E&O Insurers for that purpose.

ReedSmith

April 27, 2015
Page 2

The Dissenters provide \$55 million out of E&O limits of about \$141 million, which is what remains of the original total of \$157.45 million in E&O coverage. The breadth of coverage in their policies is no different than in the policies of the other E&O Insurers, which either have already provided coverage or are willing to contribute to a settlement. The Dissenters have mustered only a small handful of coverage defenses, two of which – that the Customer Action does not involve covered *Services* or falls within the so-called business risk exclusion – are essentially the same. Indeed, the defenses are so clearly invalid that they can only have been raised in bad faith.

The customer claims are of precisely the type the E&O Program is intended to cover – claims by customers alleging that MF Global failed to provide the fundamental service of implementing controls to safeguard customer funds. The E&O policy definition of covered “services” is extremely broad (to include any “financial” services and back office activities) and the so-called business risk exclusion is narrow. Neither helps the Dissenters here. Likewise, the insured v. insured exclusion, the only other exclusion Dissenters assert, does not apply for multiple reasons, among them that what is at issue are customer claims, not those of any insured. The Dissenters cannot hide behind either the fact that underlying limits have not been paid or the fact that some of their policies contain arbitration provisions to escape their coverage obligations. Indeed, it is quintessential bad faith for any insurer, as at least AWAC is doing here, to refuse to provide coverage on the basis that to receive the benefits of the insurance policies for which they paid substantial premiums, the insureds must initiate and pursue Bermuda arbitration, with all the time delay and expense that entails.

Under New York law, an insurance company’s failure to accept a settlement within policy limits can constitute bad faith. See Pavia v. State Farm Mut. Auto. Ins. Co., 626 N.E.2d 24, 26 (N.Y. 1993) (“The notion that an insurer may be held liable for the breach of its duty of ‘good faith’ in defending and settling claims over which it exercises exclusive control on behalf of its insured is an enduring principle, well settled in this State’s jurisprudence.”). An insurance company’s failure to consider its policyholder’s best interests is evidence of bad faith. See, e.g., Cappano v. Phoenix Assur. Co. of N.Y., 280 N.Y.S.2d 695, 697 (N.Y. App. Div. 1967) (“[T]he law imposes upon the insurer the obligation of good faith—basically, the duty to consider, in good faith, the insured’s interests as well as its own when making decisions as to settlement. Bad faith [is] . . . the failure to comply with this obligation”); DiBlasi v. Aetna Life and Cas. Ins. Co., 542 N.Y.S.2d 187, 191 (N.Y. App. Div. 1989) (same). An insurance company held liable for a bad faith refusal to settle will owe damages equal to the amount for which the policyholder is charged in excess of its coverage, since an excess judgment is a “harm that naturally and foreseeably flows from an insurer’s failure to accept a pretrial settlement within the policy limits.” Soto v. State Farm Ins. Co., 635 N.E.2d 1222, 1224 (N.Y. 1994).

ReedSmith

April 27, 2015
Page 3

Given the Dissenters' conduct to date, they will be unable to avail themselves of any limitation on their exposure based on policy limits. The E&O Defendants will hold the Dissenters (along with any other E&O Insurer that fails to make its limits available) fully accountable for any adverse verdict, and will also pursue any other remedies available to them.

The E&O Defendants continue to reserve all rights.

Sincerely,

A handwritten signature in dark ink, appearing to read "Matthew J. Schlesinger". The signature is fluid and cursive, with a stylized "M" and "J".

Matthew J. Schlesinger
Reed Smith LLP

cc: All E&O Insurers
All D&O Insurers
All E&O Defendants

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DELIVERED BY EMAIL

April 28, 2015

Leslie Ahari, Esq.
Troutman Sanders LLP
1600 International Drive
Suite 600
McLean, VA 22102

Stephen Doody, Esq.
Allen & Overy LLP
1221 Avenue of the Americas
New York, New York 10020

Re: *In re MF Global Holdings Ltd. Investment Litigation (DeAngelis v. Corzine)*
No. 11-cv-7866 (VM) (JCF)

Dear Counsel:

I write on behalf of Bradley I. Abelow, Jon S. Corzine, David Dunne, Vinay Mahajan, Edith O'Brien, and Henri J. Steenkamp (collectively, the "Individual Defendants"). Late yesterday we received a demand to settle the Litigation Trustee Action and the Customer Action jointly for \$225 million. Separately, we received a demand to settle the Customer Action for \$135 million. Both of these demands are well within policy limits.

The Individual Defendants hereby request authority to respond to the joint \$225 million Customer Action and Litigation Trustee Action demand with a counter offer in the amount of \$200 million. We further request that this settlement amount be funded with \$100 million from the Directors and Officers ("D&O") liability policies and \$100 million from the Errors and Omissions ("E&O") policies. Time is of the essence, and accordingly we request that confirmation of this authority be conveyed to the undersigned by no later than 5:00 p.m. tomorrow, April 29, 2015.

The Individual Defendants continue to reserve all rights.

Sincerely,



Jonathan R. Streeter

cc: Representatives of all E&O Carriers
Representatives of all D&O Carriers
Counsel for the Individual Defendants



Matthew J. Schlesinger
Direct Phone: +1 202 414 9423
Email: mschlesinger@reedsmith.com

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Suite 1000 - East Tower
Washington, D.C. 20005-3373
Tel +1 202 414 9200
Fax +1 202 414 9299
reedsmith.com

May 22, 2015

Via Email (mccarrickj@whiteandwilliams.com)

John F. McCarrick, Esq.
White and Williams LLP
427 Bedford Road, Suite 250
Pleasantville, NY 10570-3035

Re: In re MF Global Holdings Ltd. Investment Litigation (DeAngelis v. Corzine) No. 11-CV-7866 (VM) (JCF)

Dear Mr. McCarrick:

We write in response to the May 8, 2015 letter you wrote on behalf of Allied World Assurance Company Ltd. ("Allied World") with respect to the Allied World MF Global E&O Policy (\$15 M x. \$125 M).

First, you incorrectly imply that there have been no demands within the limits of the E&O Tower that implicate the Allied World policy for which AWAC has refused to provide coverage.¹ There have been such demands—and, contrary to your assertion, those demands have been outside the context of mediation. See Letters from Mr. Streeter dated November 18, 2014, January 9, 2015.² Such letters were part of a many months long effort to get various MF Global Insurers, including Allied World, to honor their coverage obligations to settle the various outstanding claims. Virtually all of the E&O Insurers have now responded positively to such demands—outside the context of mediation—by agreeing to make their limits available for settlements. Allied World, however, has refused to provide any coverage at all to the E&O Defendants under the Allied World E&O policy. To date, Allied World's recalcitrance has made it impossible to settle anything other than the Securities Action (which implicated only the MF Global D&O policies). In fact, the E&O Defendants, along with other individual insureds involved in this matter, lost the opportunity the week prior to last to negotiate a global resolution of the various litigation they face (with an appropriate holdback for the *Sapere* and CFTC Actions).

To be clear, to settle not only the Customer Class Action, but also the *Sapere* and CFTC Actions (all of which are covered under the E&O policies), the E&O Defendants have previously requested—and continue to request—that the E&O Insurers make their full limits available. See, e.g., April 27, 2015 Letter from Matthew J. Schlesinger to John McCarrick, Tracy Tkac, Mary Jo Barry and Edward J. Kirk).³ And, all E&O Insurers below Allied World (save Ironshore) have now committed to make their

¹ The E&O Defendants also disagree that any action against Allied World is subject to Bermuda Arbitration.

² Mr. Streeter's April 28, 2015 letter was also outside the context of mediation.

³ Because a failure to properly maintain and protect customer funds is also alleged in the action captioned *Nader Tavaloki, as Litigation Trustee of the MF Global Litigation Trust v. Jon S. Corzine et al*, 11 Civ. 7866 (the "Trustee Action"), any settlement of that action also should be covered in part under the E&O policies in

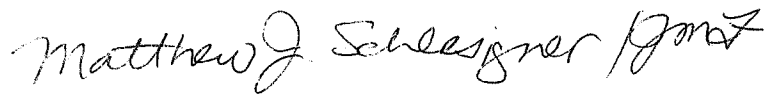
John F. McCarrick, Esq.
May 22, 2015
Page 2

full limits available. For example, on May 7, 2015, Continental Casualty Company (“Continental”) wrote that it “will make the full limit of its E&O Policy available for the settlement of the Customer Class Action, the *Sapere* Action and/or the CFTC Action in the event that the Insureds agree to such settlement(s).” May 7, 2015 e-mail from David Philips to Jonathan Streeter and others. *See also, e.g.*, May 7, 2015 letter (XL Catlin) from James A. Skarzynski to Jonathan Streeter and others; May 8, 2015 letter (Everest Re) from Matthew Photis to Jonathan Streeter and others; and May 11, 2015 e-mail (ACE) from Edward Kirk to Matthew J. Schlesinger and others.

Accordingly, and to avoid any doubt about Allied World’s position or intentions, the E&O Defendants request that Allied World clearly indicate, in writing and outside the context of mediation, whether or not it intends to make its limits available to settle the remaining actions. Please assume for purposes of your response that there will be appropriate exhaustion of any underlying limits and/or a commitment by the E&O Defendants to pursue or assign the rights to pursue coverage from any non-paying E&O Insurer. Please also assume any appropriate proof of loss or payment that may be required by any reinsurance arrangement between Allied World and MF Global Assurance (the primary layer captive).⁴ Time remains of the essence. Please respond no later than 5:00 pm Wednesday, May 27th. And, as set forth in my April 27, 2015 letter, the E&O Insureds consider any E&O Insurer refusing to make available its limits to be acting in bad faith.

The E&O Insureds continue to reserve all rights.

Sincerely,

A handwritten signature in black ink that reads "Matthew J. Schlesinger" followed by a stylized monogram or initials.

Matthew J. Schlesinger

cc: Counsel for Insureds
All Insurers

addition to under the D&O policies. *See, e.g.*, Trustee Complaint at ¶ 10 (alleging E&O insureds failed “to ensure the safety of customer funds”); *Id.* at ¶ 5 (alleging E&O insureds “recklessly and with gross negligence, violated the law by using segregated customer funds to cover the Company’s resulting liabilities.”); *Id.* at ¶¶ 130-144 (alleging the “Use of Customer Funds in Violation of Company Policy”).

⁴ If Allied World does not intend to make its limits available, assuming appropriate exhaustion and proof of payment/loss, please state any bases for its refusal to do so.

Steinberg, Greg

From: Streeter, Jonathan <Jonathan.Streeter@dechert.com>
Sent: Wednesday, September 02, 2015 9:54 PM
To: Schlesinger, Matthew J.; 'Allison Calkins'; 'Anthony Fowler'; 'Dan Bailey'; 'David Philips'; 'Edward Kirk'; 'Fiona McCormack'; 'Gary Dixon'; 'Gavin Curley'; Steinberg, Greg; 'Harold Neher'; 'James DeSilva'; 'James Skarzynski'; McCarrick, John; 'Jonathan Meer'; 'Keith Little'; 'Leslie Ahari'; 'Mary Jo Barry'; Pessa, Maurice; 'Meredith Werner'; 'Michael Fried'; 'Patrick Maloney'; 'Robert Benjamin'; 'Samuel Hancocks'; 'Scott Schaffer'; 'Stephen Doody'; 'Thomas Forker'; 'Tracy Tkac'; 'alicia.santock@wilsonelser.com'; Aufses, Arthur H.; Neil S. Binder (nbinder@binderschwartz.com); 'Laura Steinberg Esq. (lsteinberg@sandw.com)'; 'Gregory J. O'Connell Esq. (gjo@dorlaw.com)'; 'Christopher J. Barber (cjb@willmont.com)'; Mazur, Matthew; Levander, Andrew
Subject: FW: MFG Litigation--Confidential Settlement Communication
Attachments: mfg settlement (1 September).pdf

All: attached please find a settlement communication that we received from Jones Day. We are requesting the limits of the insurance policies to respond to this. We are scheduling a call to discuss on Friday at 11 am. We will circulate call in details tomorrow morning.

Best,

Jonathan R. Streeter
Partner

Dechert LLP
1095 Avenue of the Americas
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+1 212 698-3826 Direct
+1 917 751-9598 Mobile
+1 212 314-0046 Fax
jonathan.streeter@dechert.com
www.dechert.com

-----Original Message-----

From: Levander, Andrew
Sent: Wednesday, September 02, 2015 7:57 AM
To: Streeter, Jonathan
Subject: Fw: MFG Litigation--Confidential Settlement Communication

Sent from my BlackBerry 10 smartphone.

Original Message
From: Bruce Bennett <bbennett@jonesday.com>
Sent: Wednesday, September 2, 2015 4:02 AM
To: Levander, Andrew; aaufses
Cc: Nader Tavakoli; Thomas F. Cullen; Christopher J. Lovrien
Subject: RE: MFG Litigation--Confidential Settlement Communication

With attachment.

Bruce Bennett
Partner
JONES DAY® - One Firm WorldwideSM
555 South Flower Street
Fiftieth Floor
Los Angeles, California 90071
LA Office +1.213.243.2382
NY Office +1.212.326.3680
bbennett@jonesday.com

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If you received this e-mail in error, please delete it from your system without copying it and notify sender by reply e-mail, so that our records can be corrected.***

-----Original Message-----

From : Bruce Bennett/JonesDay
To : "Andrew Levander" <andrew.levander@dechert.com>, "aaufses" <aaufses@kramerlevin.com>
cc : "Nader Tavakoli" <ntavakoli@eaglerockcapital.com>, Thomas F. Cullen/JonesDay, Christopher J. Lovrien/JonesDay Sent on :09/02/2015 04:01:33 AM EDT Subject : MFG Litigation-- Confidential Settlement Communication

The attachment include a proposal for the settlement of the MFGH and MFGI litigation as well as terms permitting the settlement of other pending cases. This proposal was the result of careful thought and extensive effort by our clients and their stakeholders. Accordingly, it has been transmitted by them to their counterparts on your side. If you have any questions, please do not hesitate to contact me. For the next two days, I am traveling, but should be reachable at almost all times via email and sometimes by phone. I will be in my LA office on Friday.

Bruce Bennett
Partner
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G Pg 1 of 18
JONES DAY

555 SOUTH FLOWER STREET • FIFTIETH FLOOR • LOS ANGELES, CALIFORNIA 90071.2300

TELEPHONE: +1.213.489.3939 • FACSIMILE: +1.213.243.2539

DIRECT NUMBER: (213) 243-2457
DSTEUBER@JONESDAY.COM

October 24, 2015

VIA E-MAIL MFRIED@LVLCLAIMS.COM

Michael P. Fried
Assistant Vice President
LVL Claims Services LLC
30 Broad Street, 28th Floor
New York, NY 10004

Re: Insureds: MF Global, Inc. and MF Global Holdings Ltd.
Insurers: MFG Assurance Company Ltd. (“MFGA”)
Policy No.: 1-18001-00-11
Matter: Customer Claims Against MF Global, Inc.

Dear Mr. Fried:

As you know, we represent MF Global Holdings Ltd. (“MFGH”), as Plan Administrator under the confirmed plan of liquidation in the chapter 11 cases of MFGH and certain of its affiliates. We advised you by letter on September 18, 2015, that pursuant to the August 18 “Sale and Assumption Agreement” by and between James W. Giddens, as the Trustee under the Securities Investor Protection Act (the “SIPA Trustee”) for MF Global, Inc. (“MFGI”), and MFGH, the SIPA Trustee had assigned all of MFGI’s rights, remedies, title and interests arising from or related to the MDL proceedings,¹ the SIPA Trustee’s prior proof of loss on behalf of MFGI, and proofs of claims against MFGI by its former commodity customers. The assigned rights were placed with MFGAA for which MFGH serves as managing member (MFGH, MFGI and MFGAA collectively referred to herein as “MF Global”).

We send this correspondence with the authority and at the request of MF Global and the MF Global entities insured under MFGA Primary Professional Liability Insurance Policy Number 1-18001-00-11 (the “MFGA Policy”) and the related 2011-12 excess policies providing a total of \$150 million in excess professional liability (“E&O”) coverage. Specifically, we write on behalf of MFGH as “policyholder” (and formerly as the largest general creditor of the MFGI

¹ With respect to the MDL, MF Global Assigned Assets LLC (“MFGAA”) has now stepped into MFGI’s shoes with respect to certain claims asserted in the *Commodity Customer Class Action* pending in the United States District Court, MDL Case No. 11-CIV-7866 (VM), which include any recoveries by the customer representatives for the amounts advanced by the MFGI estates to pay the customers’ net equity claims (the “Customer MDL Claims”). See Letter to the Honorable Victor Marrero from Jane Rue Wittstein dated September 11, 2015, with Exhibits (MDL Docket No. 996).

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estate), and on behalf of MFGAA, which has now stepped into MFGI's rights as an "insured entity" ("MFGAA-MFGI"), and MFGAA as the assignee of any rights of recovery, whether direct or indirect, under the MFGA Policy and excess policies.

The SIPA Trustee also assigned to MFGAA the claims of MFGI's former commodity customers against MFGI and other insureds alleging various breaches of duties, acts of wrongdoing, and failures in connection with the segregation and protection of customer assets (collectively, the "Customer Claims"). As used herein, the Customer Claims include without limitation: (i) the Customer MDL Claims (*see* footnote 1), (ii) a proof of claim filed against MFGI by its former customers in the Securities Investor Protection Act ("SIPA") bankruptcy case number 11-2790 (MG) (SIPA) (amended June 4, 2012) and all related filings (the "Proof of Claim"), and (iii) over 28,000 claims filed by the former customers of MFGI in the SIPA bankruptcy proceeding seeking the return of assets that were missing as a result of the shortfall in customer property ("Individual Customer Claims").²

By this letter, MF Global hereby demands coverage and repeats the SIPA Trustee's previous demand expressed in his May 5, 2014 letter, that MFGA, the other E&O excess insurers participating in the 2011-12 coverage program, and, if necessary, MFGA's reinsurers immediately reimburse MFGAA-MFGI to the full amount of the remaining limits under the E&O coverage program, less only those sums properly paid to or on behalf of individual insureds named as defendants in the MDL proceedings. Specifically, this letter is a direct communication to and demand for a full remaining limits payout, which we believe to be at least \$143 million under the aforementioned policies (the "E&O Policies"), upon: (a) MFGA, as issuer of the MFGA primary and excess policies covering the first \$127.475 million of loss above a \$25,000 self-insured retention, (b) the other direct excess insurers – namely, Allied World Assurance Company, Ironshore Insurance Ltd. ("Ironshore"), Starr Insurance and Reinsurance Ltd. ("Starr")³ and Federal Insurance Company ((a) and (b) collectively, the "E&O Insurers") – who insure the upper layers comprising \$30 million (excess \$127.475 million) of the E&O coverage program limits purchased by MFGH, and (c) MFGA's reinsurers with respect to the E&O excess

² As discussed below, the Proof of Claim and Individual Customer Claims were the subject of various proceedings in the Bankruptcy Court, and provided the basis for the payment by MFGI of the customers' net equity claims and settlement with the U.S. Commodity Futures Trading Commission ("CFTC"), which in turn were the subject of agreements and assignments which MFGAA has stepped into with respect to amounts owed back to MFGAA-MFGI from the Customer MDL recoveries; the remaining claims of the customers against MFGI for amounts in excess of the customers' net equity claims were subordinated, and pursuant to the Court's Order approving the Sale and Assumption Agreement, are expected to receive no distribution from the MFGI estate.

³ Iron-Starr Excess Agency Ltd. ("Iron-Starr") issued a direct excess policy for and on behalf of Ironshore and Starr as subscribing insurers in a quota share arrangement. Our demand for coverage is addressed to Iron-Starr as well as issuer of the policy.

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policies issued by MFGA (the “Reinsurers”).⁴ For the reasons stated herein and in our and the SIPA Trustee’s prior correspondence, anything short of a full and immediate payment of the E&O Insurers’ remaining policy limits, in no event less than \$143 million to MF Global, constitutes a breach of the coverage obligation expressed in the MFGA Policy.

There is no good faith justification for MFGA, the E&O Insurers or the Reinsurers to delay further their payment of the remaining limits under their policies and corresponding certificates of reinsurance. At a minimum, MFGAA-MFGI and MFGH as your insureds (or their assignees) are entitled to an immediate, unqualified statement by those Insurers that they are denying coverage and refusing to pay, and the specific basis for that denial. Thus, this letter supplements and expands on the SIPA Trustee’s May 5, 2014 demand letter which previously demonstrated that MFGA’s coverage obligation to MFGI as an insured entity was then long overdue and had been disregarded without any legal or policy justification.

As detailed in the SIPA Trustee’s demand letter, the Bankruptcy Court specifically recognized and determined that a \$548.4 million shortfall existed in customer assets available to satisfy the net equity claims of MFGI’s former customers stemming from the collapse of MF Global and the wrongful acts described in the Proof of Claim (and by the Customer Claims in general). The SIPA Trustee was clear in his letter that the \$548.4 million shortfall in customer funds dwarfed the remaining E&O coverage program limits and thus required the full application of those limits to satisfy MFGI’s losses. In addition, expert reports submitted in the MDL proceedings have yet again confirmed the magnitude of the commodity customers’ losses, determining the balance of the customer funds shortfall to stand currently at \$484 million in light of further recoveries obtained by MFGI’s customer fund estates. Thus, when MFGI previously demanded coverage in its letter, MFGA already had before it a covered insurance claim arising from MFGI’s legal obligation to pay the claims of its former customers. At that time, the SIPA Trustee had provided more than enough information to confirm the amount of coverage owed by the E&O Insurers and the Reinsurers if MFGA was unable to pay. In light of these facts, MFGA’s repeated and continued refusal to provide a coverage determination, as demonstrated by your May 7, 2014 letter (the “May 7 MFGA Letter”) and in Mr. Doody’s July 25, 2014 letter (the “July 25 MFGA Letter”), reflects a breach of MFGA’s coverage obligation under the MFGA Policies’ insuring agreement.

⁴ We invite the Reinsurers to respond to the points raised herein, as we believe the facts and circumstances surrounding MFGAA-MFGI’s insurance claim may require a significant financial commitment from all the foregoing parties. This specifically includes the availability of reinsurance funds if and to the extent that MFGA cannot meet its direct coverage obligations to MFGAA-MFGI in connection with the Customer Claims.

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MFGA has a duty to cover MFGI's loss, which well exceeds the program limits, without further delay or, assuming it believes it has a good faith basis to deny the claim based on all available information, to deny coverage on a clear, articulated basis. To date, no action has been taken and no insurer payment has been forthcoming despite the multiple developments and rulings in the SIPA liquidation detailed below that show that the SIPA Trustee's claim was ripe under the E&O policy as least as early as May 2014. Specifically, the July 25 MFGA Letter, which reiterated MFGA's reservation of rights and cited several potential coverage defenses in an apparent attempt to legitimize MFGA's wrongful refusal to provide coverage, is indicative of the dilatory approach adopted by the Insurers to avoid their obligations under the MFGA Policy's terms and conditions. We disagree with MFGA's refusal to cover and the erroneous grounds it is based on.

Thus, as the SIPA Trustee stated on May 5, 2014, and we state now, the MF Global entities repeat the demand for full payment of the remaining policy limits from MFGA and the other E&O Insurers (and/or MFGA's Reinsurers if MFGA cannot meet its coverage obligation). Again, we understand this amount to be no less than \$143 million.⁵ MFGA's prompt response to this letter will determine our next steps in vindicating MFGAA-MFGI rights under the MFGA Policy. Thus, we request that MFGA (and each of its Reinsurers) and the other excess E&O Insurers either (1) agree to cover up to the remaining policy limits the full amount of the loss suffered by MFGI's former customers as established by the Bankruptcy Court, or (2) provide a clearly worded coverage position letter stating why each is denying coverage for this loss. After over three-and-a-half years of reservations and delays, we fairly view any additional delay or reservation of rights as a declination of coverage.

A. Background of the Claim

To put to rest any doubt that MFGA has wrongfully failed to determine MFGAA-MFGI's claim, a brief history of the insurance claim is instructive. On March 28, 2012, the SIPA Trustee reported the existence of claims alleging wrongdoing by MFGI and its senior executives, including "over 28,000 customer claims against MFGI" arising from the loss of funds in commodities customers' accounts maintained by MFGI. On June 4, 2014, the amended Proof of Claim was filed in the SIPA bankruptcy proceeding against MFGI by the representatives of MFGI's former customers. The Proof of Claim alleged wrongful acts committed by MFGI and its senior executives against its customers' interests, including without limitation: (i) the failure to properly segregate customer assets, (ii) the improper transfer of customer assets to satisfy proprietary obligations, (iii) the failure to install proper safeguards and procedures to protect customer accounts, and (iv) other breaches of duties in connection with customer funds and

⁵ We are not privy to the actual payments allegedly made as impairments against policy limits. Before accepting a final payout represented to be "remaining limits," you will need to verify your prior disbursements of proceeds which support the final tally of the coverage owed for MFGAA-MFGI's claim.

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accounts. To date, MFGA has provided no final coverage determination under its policies. Instead, in response to the SIPA Trustee's demands, MFGA has sent a string of reservation of rights communications in which MFGA refused to take a definite position on whether coverage was either owed or potentially owed.

After the SIPA Trustee provided notice of the claims asserted by MFGI's former customers, various actions were filed against the former senior executives of MF Global in the District Court for the Southern District of New York (the "MDL Customer Lawsuit").⁶ The MDL Customer Lawsuit reiterated the allegations of wrongdoing against MFGI's senior executives and directors first presented in the Proof of Claim. The CFTC also brought an action against MFGI and others, alleging that the failure to segregate customer funds from other corporate uses violated the Commodity Exchange Act and damaged MFGI's customers' financial interests. In connection with the CFTC action, the CFTC prepared a Consent Order to resolve claims against MFGI. At the request of the Bankruptcy Court and after lengthy discussion and correspondence, MFGA stated in its August 26, 2014 letter (and clarified in your subsequent emails on August 27 and August 28) that it agreed that the SIPA Trustee's entry into the Consent Order would not be an independent basis to deny coverage for any of the claims submitted by the SIPA Trustee under the E&O Policies. Only after these representations were made did the Bankruptcy Court authorize the SIPA Trustee's entry into the Consent Order on September 12, 2014. The Consent Order was approved by the District Court on November 8, 2014.

On October 2, 2013, the SIPA Trustee moved the Bankruptcy Court to (i) confirm the size of the shortfall in customer property, and (ii) authorize payment from the general estate of sufficient assets to allow a 100-percent distribution on customer net equity claims. On November 5, 2014, the Bankruptcy Court entered an order approving the SIPA Trustee request (the "Allocation Order").⁷ The Allocation Order acknowledged the damages to customers resulting from MFGI's failure to protect customer funds and accounts, finding that the shortfall in customer property was \$560 million.⁸

Frustrated by MFGA's continued delay in providing coverage, on May 5, 2014, the SIPA Trustee asked MFGA (and the direct excess insurers above MFGA) to tender the remaining limits of the E&O coverage program to partially reimburse the loss suffered by MFGI (and now

⁶ As discussed above, it is a subset of the claims asserted in the MDL Customer Lawsuit which represent the Customer MDL Claims assigned through a series of Court-approved agreements to MFGAA.

⁷ MFGA formally appeared at the court hearings and proceedings throughout the process resulting in the Allocation Order and its final approval and was on notice of MFGI's estate's customer payment, but made no objection.

⁸ The customer shortfall was later reduced by the SIPA Trustee's settlement with the Chicago Mercantile Exchange and in connection with other marshalling efforts and payments.

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MFGAA as its assignee) as a result of MFGI's obligation to pay former customers the amount of the shortfall. MFGA responded on May 7 and July 25, 2014 with the same non-committal reservation of rights and refusal to tender the remaining policy limits to cover the loss related to the Customer Claims.

Most distressing, while MFGAA-MFGI's insurance claim has essentially been kept on hold by inaction, MFGA and the other E&O Insurers continued (and still continue) to advance (or seek to advance) defense costs to the individual insureds responding to the MDL Customer Lawsuit. We recognize that MFGA has responded to the individual defendants' request to advance defense costs prior to a final adjudication in the MDL Customer Lawsuit. Nevertheless and for reasons not clearly explained in the July 25 MFGA Letter or in MFGA's prior communications, MFGAA-MFGI's separate insurance claim has not been afforded equal priority under the MFGA Policy. As you are well aware, the MFGA Policy does not contain a "priority of payments" provision or any other legal justification to treat MFGAA-MFGI's demand for entity coverage with less seriousness and urgency than the losses claimed by those individual defendants. Yet MFGA continues to advance defense funds to MF Global's former directors and officers to the detriment of MFGAA-MFGI as the E&O coverage program's limits continue to erode. Moreover, contrary to your assertions before Judge Glenn at the December 17, 2014 hearing regarding the "soft cap" allocation of E&O insurance proceeds, there appears to be no express mechanism in the MFGA Policy to require those individual defendants to return payments to MFGA for later distribution to MFGAA-MFGI, other than a final judgment in the MDL Customer Lawsuit with a specific finding of egregious wrongdoing. Thus, each dollar paid by MFGA in choosing other insureds' financial interests above MFGAA-MFGI's insurance claim (as briefly discussed herein) deprives MFGAA-MFGI of a dollar of available E&O coverage, and shows a lack of good faith and fair dealing by the E&O Insurers towards MFGAA-MFGI as their insured (or its assignee).

To date, MFGA has hidden behind a "wait and see" approach, contending that then-MFGI's right to recover could not be established until further underlying proceedings took place in the MDL Customer Lawsuit – even though the MDL litigation is pending against MF Global's former officers and directors and *not* MFGI itself. MFGA's contention that MFGAA-MFGI's insurance claim is in essence not "ripe" for determination is patently incorrect because it disregards the fact that the claims asserted by MFGI's former customers directly against MFGI, and the loss directly incurred by MFGI's estate as a result, are *separate and distinct* from any claim for coverage that the individual insureds may seek in connection with the claims against them in the MDL.

In sum, MFGAA-MFGI has asserted a completely separate insurance claim, which squarely satisfies all of the conditions for direct coverage of the loss to MFGI (and its assignee), independent of any coverage claim that the individual defendants may submit under the same

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E&O coverage program. We agree with the SIPA Trustee's prior assessment of MFGI's insurance claim and now advocate for its payment under the E&O policies to MFGAA-MFGI based on the assignment of MFGI's rights against the E&O Insurers (and Reinsurers).

B. The SIPA Trustee Has a Separate and Distinct Claim Under the E&O Policies Independent of Individual Defendants' Claim Arising out of the MDL

As your counsel informed Judge Glenn, once the SIPA Trustee could establish the elements of MFGAA-MFGI's insurance claim, MFGAA-MFGI may recover its loss *before* any settlement or judgment resolving the MDL against the individual defendants. In fact, MFGA acknowledged the independence of MFGI's (now MFGAA-MFGI's) insurance claim several times during a hearing before the Bankruptcy Court. *Hr'g Tr.* 35-36, 46-47, Dec. 17, 2014. On the record, MFGA's counsel agreed that if MFGAA-MFGI establishes the basis of its insurance claim, MFGA must cover the loss without further delay and without waiting for the outcome of the MDL. MFGAA-MFGI's right to recovery has been fully established under the terms and conditions of the MFGA Policy (and the direct excess policies, which follow form, and the reinsurance certificates that reinsure those policies issued by MFGA).

Section 1 of the MFGA Policy imposes a straightforward and broad coverage obligation on MFGA and the other direct excess insurers participating in the E&O coverage program for timely reported "*claims*":

The *insurer* shall pay on behalf of the *insured*⁹ for all *loss* arising out of a *wrongful act* which gives rise to a *claim* first made against an *insured* by a third party during the *policy period*.¹⁰

The information and supporting material contained in MFGI's prior correspondence and herein meet all of the elements for coverage under the MFGA Policy, because MFGI's former customers asserted claims against MFGI in the SIPA proceeding (*claims* first made against an *Insured* by a third party) seeking to recover the damages to their property determined by the shortfall amount (*loss*) arising from MFGI's failure as a company to properly segregate customer assets (a *wrongful act*).

The Customer Claims constitute a "*claim*" as defined by the MFGA Policy. The MFGA Policy's definition of "*claim*" includes "any written demand from any person or entity seeking

⁹ It is undisputed that MFGH and MFGI are "*insureds*" as defined in section 2.15 of the MFGA Policy.

¹⁰ Italicized terms referred to herein are uniquely defined in the MFGA Policy and may not be interpreted using their ordinary meanings. The MFGA Policy's key definitions are more expansively worded than other professional liability policy forms available on the marketplace, across the board expanding the scope of coverage owed to MF Global.

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monetary damages or other relief, from an insured for the results of any specified *wrongful act*.” The Proof of Claim, and its attached “Amended Statement of Claim,” filed by the Customer Claimants against MFGI in the SIPA Proceeding, as well as the 28,000 individual claims, clearly comprised a *claim* asserting a written demand seeking monetary damages based on a *wrongful act* – namely, MFGI’s failure to properly segregate customer funds. Specifically, the Proof of Claim (separate and apart from what is pled in the MDL Customer Lawsuit) alleges that MFGI failed “to segregate and separately maintain MFGI’s commodity customers’ property,” allowed the use of customer segregated funds for improper purposes, and failed to implement “internal safeguard policies” to protect customer funds. *Proof of Claim* at 28-42.¹¹

The Bankruptcy Court’s determination of the shortfall in customer property constitutes a “loss” as defined by the MFGA Policy. The MFGA Policy defines “loss” to include “damages” (arising out of the *wrongful act*). As previously stated, the Proof of Claim seeks “monetary damages” in an amount equal to the shortfall in customer assets available to satisfy the net equity claims of MFGI’s former customers. Further, the amount of this *loss* has been quantified by the Allocation Order which specifically found that the shortfall in customer property was ultimately \$548.4 million (and has been subsequently decreased by estate recoveries to \$484 million) and authorized payment by the SIPA Trustee. The MFGA Policy’s definition of “loss” is exceptionally broad, covering damages, aggravated damages, judgments, settlements, restitution orders of a compensatory nature and other forms of relief.

Finally, the failure of MF Global to properly segregate customer assets constitutes a “*wrongful act*” as defined by the MFGA Policy. The term “*wrongful act*” is defined as “any actual or alleged act, error or omission by the *insured*, or by any other person for whose act, error or omission the *insured* is legally responsible, arising out of the provision of, or failure to provide the *services*.” Further, “*wrongful act*” is defined to include “any breach of any statute enacted anywhere in the world (including any statutory provision and/or any rules or regulations made by any regulatory body or authority).”

It cannot now be seriously debated that numerous rules, regulations and statutes, as well as numerous other duties and obligations owed to customers, were violated by the failure to properly segregate and separately maintain MFGI’s commodity customers’ property, by improperly using customer funds, and by failing to implement appropriate safeguards to protect customer property. The SIPA Trustee’s Investigation Report (as defined in footnote 12)

¹¹ In addition, the MDL Customer Lawsuit also describes institutional-level misconduct allegedly committed by MF Global senior executives. For example, paragraph 53 of the underlying complaint alleges the former directors and officers of MF Global “directed, caused, authorized and/or allowed MFG Holdings and MFGI improperly to transfer funds that MFGI was required to segregate on behalf of customers for the companies’ own use, and failed to ensure that adequate steps were being taken to secure property sufficient to satisfy MFGI’s obligations to . . . Commodity Customers”

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previously provided to MFGA, the independent investigations of the MFGH Chapter 11 Bankruptcy Trustee, the customer representatives, the CFTC, and the United States Congressional Committee on Financial Services,¹² all concluded that the failure to segregate customer funds violated rules and regulations regarding segregation (in addition to other various errors and omissions made by the senior executives of MFGI). The Allocation Order recognized those failures in connection with customer funds and accounts and, by virtue of the court's ruling authorizing payment to the customers, there can be no serious debate that a shortfall in customer assets existed on October 31, 2011, when the SIPA Proceeding was commenced. Additionally, there is no question that the sheer fact of this shortfall demonstrates that *wrongful acts* under the MFGA Policy led to MFGI's customer payment. Thus, MFGAA-MFGI has demonstrated its entitlement to coverage for the Customer Claims.

With all components of the MFGA Policy's insuring agreement satisfied, MFGAA-MFGI's insurance claim must be paid in full without further delay. As discussed below, the MFGA Policy's other terms and conditions quite clearly do not defeat coverage. Contrary to the assertion in the July 25 MFGA Letter, MFGA (and its Reinsurers) and the other excess E&O Insurers have before them a "ripe" insurance claim and have an immediate obligation to tender the remaining proceeds of the policies to MF Global (specifically MFGAA) on behalf of MFGAA-MFGI.

C. The Potential Defenses Raised by MFGA Are Inapplicable to MFGAA-MFGI's Claim

The July 25 MFGA Letter raises a series of potential coverage defenses which MFGA asserts it could rely upon to bar coverage if the SIPA Trustee had sought an immediate coverage determination. Specifically: (i) MFGA believes the claim seeks coverage for uninsurable restitution or disgorgement of funds; (ii) MFGA believes that MFGAA-MFGI's claim triggers

¹². This Revised Proof of Loss incorporates the Report of the SIPA Trustee's Investigation dated June 4, 2012 (the "Investigation Report," ECF No. 1865); the SIPA Trustee's First Six Month Interim Report for the Period October 31, 2011 through June 3, 2012 (ECF No. 1864); the SIPA Trustee's Second Six Month Interim Report for the Period June 5, 2012 through December 4, 2012 (ECF No. 4763); the SIPA Trustee's Third Six Month Interim Report for the Period December 5, 2012 through June 4, 2013 (ECF No. 6548); the SIPA Trustee's Fourth Six Month Interim Report for the Period of June 5, 2013 Through December 4, 2013 (ECF, No. 7314); the Consolidated Amended Class Action Complaint for Violations of the Commodity Exchange Act and Common Law, *DeAngelis v. Corzine*, No. 11-Civ-7866 (VM) (S.D.N.Y. Aug. 20, 2012); the First Amended Complaint and Demand for Jury Trial, *In re MF Global Holdings Ltd.*, No. 11-15059 (MG), Adv. Pro. No. 13-01333 (MG) (Bankr. S.D.N.Y. April 4, 2013); the Complaint for Injunctive and other Equitable Relief and for Civil Monetary Penalties Under the Commodity Exchange Act, *U.S. Commodity Futures Trading Commission v. MF Global Inc.*, No. 13-0446, ECF No. 1; and the SIPA Trustee's Allocation Motion to (I) Approve the SIPA Trustee's Allocation of Property and (II) Approve the Terms of an Advance of General Estate Property for the Purpose of Making a Final 100% Distribution to Former Commodity Futures Customers of MF Global Inc. (ECF No. 7103) and the supporting declaration of Josiah S. Trager (ECF No. 7104).

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the “insured-versus-insured” exclusion because the SIPA Trustee “present[ed]” a claim “on behalf of an Insured” – *i.e.*, MFGI; (iii) MFGA believes that coverage is precluded because the claim does not arise out of the provision of or failure to provide “*services*” as defined by the Policy; and (iv) MFGA believes that the claim triggers the “business risk” exclusion under the Policy.

The July 25 MFGA Letter posits that MFGAA-MFGI cannot seek coverage for the loss arising from the shortfall because any such payment would be on account of the disgorgement of improperly acquired funds or a restitution payment and thus a violation of the public policy of New York. However, this argument is based on a faulty factual premise and incompatible with the actual definition of “*loss*” contained in the MFGA Policy. First, as noted in the cases cited in the July 25 MFGA Letter, the policy rationale for precluding indemnity for disgorgement arises when the “[i]nsured would retain the ill-gotten gains by transferring the loss to its carrier.” Here, MFGAA-MFGI is not retaining and has not retained any ill-gotten gains. Rather, customer property was improvidently transferred *to third parties* to stave off MF Global’s financial collapse caused by the liquidity crisis, and MFGI did not retain the improperly transferred customer property within the firm. Thus, the current situation is similar to the circumstances in *J.P. Morgan Securities Inc. v. Vigilant Ins. Co.*, 21 N.Y.3d 324, 992 N.E.2d 1076 (2013), where the New York Court of Appeals held that disgorgement did not arise when the misconduct allowed third parties to profit (here, MFGI’s financial counterparties). MFGA’s statement that “all amounts repaid to customers are disgorgement and restitution of funds” and “therefore uninsurable” is overbroad, disregards New York law, and is completely at odds with the clear intent of the MFGA Policy’s insuring agreements and definitions. Plainly, the MFGA Policy protects MFGI from third-party liability claims by customers for financial losses. MFGA’s reading of the Policy would lead to the absurd result that neither MFGI nor its customers were protected by the E&O Insurers for any losses with respect to customer assets held by MFGI.

Similarly, the argument contained in the July 25 MFGA Letter asserting that the obligation arising from the shortfall in customer assets is not a *loss* because it constitutes a payment in the “nature of restitution” is inconsistent with the terms of the MFGA Policy and is barred by MFGA’s prior representations. First, MFGA’s argument that claims based on the restitution of funds are not covered by the policy is inconsistent with the definition of “*loss*” in the MFGA Policy, which specifically includes not only “damages” but also “restitution orders of a compensatory nature.” The July 25 MFGA Letter also fails to provide any explanation why any payment of the customers’ damages arising from the shortfall would not fit squarely within the definition of “*loss*.” The Policy contemplates paying such amounts to customers and the

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Allocation Order determined the SIPA Trustee's customer payment in connection with the shortfall.¹³

MFGA's argument that the claim triggers the "insured-versus-insured" exclusion is also premised on a fundamental misunderstanding of the nature of the claims asserted by the SIPA Trustee. As detailed herein, MF Global asserts MFGI's contractual rights as an "*insured entity*" under the MFGA Policy in responding to the Customer Claims against MFGI. The insured-versus-insured exclusion only bars claims brought by an *insured* against an *insured* and is clearly not applicable in the instant case where MFGI (first through the SIPA Trustee and now through MFGAA as the SIPA Trustee's assignee) responds to claims brought by third-party customers producing a loss paid by MFGI's general estate. Your extensive treatment of the exclusion in your July 25 letter is unwarranted, since the insured-versus-insured exclusion plainly does not apply to claims brought by third-party customers against MFGI itself as an *insured entity*.

With respect to the definition of "*services*" and the "business risk" exclusion, the Proof of Claim clearly alleged that MFGI's employees negligently provided or failed to provide "*services*" as that term is defined in the MFGA Policy (*i.e.* committed an act, error or omission while providing services). MFGI's breaches of duties owed to customers and its management's failure to protect, segregate and maintain customer funds and accounts on record with MFGI fit the broad definition of "*services*," which includes without limitation any financial, professional and other business activities in relation to customers. There is no reasonable basis to suggest that the segregation and preservation of customer assets, the most fundamental obligation of a Futures Commission Merchant, do not constitute "a financial or professional service or other activity performed by the Insured." Moreover, a narrow reading of the "business risk" exclusion (as required under the law) will not bar coverage when MF Global's failure to render services has an ancillary connection to the company's business operations. Stated differently, the exclusion has an express carve-out requiring coverage for *services* notwithstanding a connection to the administration of MFGI's business.¹⁴

¹³ Further, your August 28, 2014 email specifically states that "MFGA agreed not to use the [CFTC Consent Order] as a basis to deny coverage." In light of the SIPA Trustee's reliance on these statements, MFGA cannot now argue that coverage for the Customer Claims is barred because of the Consent Order or any terms used therein.

¹⁴ In addition, the exclusion will not prevent coverage for any damages recovered in the MDL Customer Lawsuit against the Individual Defendants once transferred to the SIPA Trustee by virtue of various assignment agreements. Among other reasons supporting coverage, the "insured-versus-insured" exclusion has an express carve-out for any "cross-claim or third-party claim for contribution or indemnity which is part of, and results directly from a *claim* that is covered by this policy." *MFGA Policy* § 3.9(c). Any liability established against the defendants in the MDL Customer Lawsuit which results in damages paid to the underlying customer claimants will at the very least constitute a "claim of contribution" held by MFGAA-MFGI.

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MFGA has referred to other coverage defenses in the past which may, in its judgment, bar coverage under the MFGA Policy. MF Global reserves the right to refute any other asserted coverage defense at the appropriate time. We remain confident that MFGA has wrongfully refused to cover the MFGAA-MFGI insurance claim in light of the indisputable fact that a *claim* had been asserted against an *insured entity* seeking recovery of a Court-determined *loss* arising from MFGI's *wrongful act*. The nature of the claim and the substantial, limits-exhausting amount of *loss* here leave no question that MFGA (and the other E&O Insurers and Reinsurers) must pay the remaining E&O program limits to resolve this matter. Any continued failure to pay demonstrates a lack of good faith shown by MF Global's insurers in response to this matter.

MF Global (as defined herein) continues to reserve all rights under the MFGA Policy, the excess policies issued by MFGA, and the other direct excess policies attaching above those MFGA policies, at law or in equity. We also reserve all rights to seek coverage directly from MFGA's reinsurers based on any reinsurance certificates issued to MFGA covering loss payments to MFGA's insureds. Please note this correspondence incorporates all of the SIPA Trustee's previous communications on behalf of MFGI in his oversight of MFGI's estate. Nothing herein or in our prior communications should be construed as a waiver, surrender or relinquishment of any right, privilege, protection, immunity or benefit conferred by the MFGA Policy to MF Global.

We hope you will revisit the position expressed in the July 25 MFGA Letter and agree to tender the remaining limits of the MFGA Policies without further delay. Because of the magnitude of the loss here, we also expect the E&O Insurers and Reinsurers to follow suit and release the necessary funds to effect a full remaining limits payment from the E&O coverage program. We desire an amicable solution to this coverage dispute, which has persisted for far too long. Nevertheless, MF Global reserves the right to pursue coverage using all available options, including but not limited to seeking a judicial declaration of rights under the MFGA Policy with respect to the Court-determined loss and asserting any related legal theory against the E&O Insurers and Reinsurers for their conduct in connection with MFGAA-MFGI's insurance claim.

We look forward to your prompt response.

Very truly yours,

David W. Steuber

David W. Steuber

Michael P. Fried
October 24, 2015
Page 13

cc (via email):

Laurie R. Ferber (lferber@mfglobalholdings.com)
Bruce Bennett (bbennett@jonesday.com)
Jane Rue Wittstein (jruewittstein@jonesday.com)

Michael P. Fried
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Page 14

MF GLOBAL E&O COVERAGE PROGRAM DISTRIBUTION LIST

Carrier	Reinsurer	Limits	Attachment	Counsel
MF Global Assurance Company	None	\$7.475 million	\$25,000 retention	Mike Fried LVL Claims Services LLC 212-359-3948 mfried@lvlclaims.com Ken Coleman Allen & Overy LLP 212-610-6470 Ken.Coleman@AllenOvery.com
MF Global Assurance Company	Houston Casualty Company	\$15 million	\$7.5 million	Gary Dixon Leslie Ahari Meredith Werner Troutman Sanders LLP 202-662-2003 703-734-4322 202-662-2053 Gary.dixon@troutmansanders.com Leslie.ahari@troutmansanders.com Meredith.werner@troutmansanders.com Dennis McGoldrick
MF Global Assurance Company	XL Specialty Insurance Company	\$15 million	\$22.5 million	Gary Dixon Leslie Ahari Meredith Werner Troutman Sanders LLP 202-662-2003 703-734-4322 202-662-2053 Gary.dixon@troutmansanders.com Leslie.ahari@troutmansanders.com Meredith.werner@troutmansanders.com Patricia Melly

Michael P. Fried
October 24, 2015
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Carrier	Reinsurer	Limits	Attachment	Counsel
MF Global Assurance Company	Catlin (UK)	\$10 million	\$37.5 million	Jim Skarzynski Jennifer Dowd George Mustes Boundas, Skarzynski, Walsh & Black, LLC 212- 820-7720 212-820-7734 jskarzynski@bswb.com gmustes@bswb.com
MF Global Assurance Company	Continental Casualty Company	\$5 million p/o \$10 million	\$47.5 million	David Philips CNA Pro Claim 212-440-3545 david.philips@cna.com
MF Global Assurance Company	Everest	\$5 million p/o \$10 million	\$47.5 million	Ned Kirk Allison Calkins Clyde & Co. 212-710-3900 edward.kirk@clydeco.us allison.calkins@clydeco.us Bernadette Dono

Michael P. Fried
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Carrier	Reinsurer	Limits	Attachment	Counsel
MF Global Assurance Company	AXIS Insurance Company	\$10 million	\$57.5 million	Scott Schaffer Jonathan Meer Alicia Santocki Wilson Elser Moskowitz Edelman & Dicker LLP 212-915-5771 914-872-7503 scott.schaffer@wilsonelser.com jonathan.meer@wilsonelser.com alicia.santocki@wilsonelser.com Harold Neher
MF Global Assurance Company	ACE American Insurance Company	\$10 million	\$67.5 million	Ned Kirk Allison Calkins Clyde & Co. 212-710-3900 edward.kirk@clydeco.us allison.calkins@clydeco.us Victor Corbo
MF Global Assurance Company	Illinois National	\$10 million	\$77.5 million	Robert Benjamin Kaufman Borgeest & Ryan LLP 914-449-1059 rbenjamin@kbrlaw.com Stephen V. Caruso
MF Global Assurance Company	Ironshore Indemnity, Inc.	\$5 million	\$87.5 million	Mary Jo Barry Gavin Curley D'Amato & Lynch 212-909-2188 MJBarry@damato-lynch.com GCURLEY@damato-lynch.com

Michael P. Fried
October 24, 2015
Page 17

Carrier	Reinsurer	Limits	Attachment	Counsel
MF Global Assurance Company	ACE Westchester	\$10 m p/o \$25 million	\$92.5 million	Ned Kirk Allison Calkins Clyde & Co. 212-710-3900 edward.kirk@clydeco.us allison.calkins@clydeco.us Victor Corbo
MF Global Assurance Company	New Hampshire Insurance	\$15 m p/o \$25 million	\$92.5 million	Robert Benjamin Kaufman Borgeest & Ryan LLP 914-449-1059 rbenjamin@kbrlaw.com Stephen V. Caruso
MF Global Assurance Company	AXIS Bermuda	\$10 million	\$117.5 million	Scott Schaffer Jonathan Meer Alicia Santocki Wilson Elser Moskowitz Edelman & Dicker LLP 212-915-5771 914-872-7503 scott.schaffer@wilsonelser.com jonathan.meer@wilsonelser.com alicia.santocki@wilsonelser.com
Federal Insurance Company	N/A	\$5 million	\$127.5 million	Tracy Tkac Assistant Vice-President Chubb & Son, Inc. 908-903-5468 ttkac@chubb.com

Michael P. Fried
October 24, 2015
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Carrier	Reinsurer	Limits	Attachment	Counsel
Allied World	N/A	\$15 million	\$132.5 million	John McCarrick Maurice Pessom Daniel Simnowitz White and Williams LLP 914-487-7342 212-631-4405 212-714-3061 mccarrickj@whiteandwilliams.com pessom@whiteandwilliams.com simnowitzd@whiteandwilliams.com Jan Haylett Charmain Smith
Ironshore	N/A	\$5 million	\$147.5 million	Mary Jo Barry Gavin Curley D'Amato & Lynch 212-909-2188 MJBarry@damato-lynch.com G CURLEY@damato-lynch.com
Federal Insurance Company	N/A	\$5 million	\$152.5 million	Tracy Tkac Assistant Vice-President Chubb & Son, Inc. 908-903-5468 ttkac@chubb.com

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JP377478
577718-600001

November 2, 2015

VIA HAND DELIVERY AND ELECTRONIC FILING

Honorable Martin Glenn
United States Bankruptcy Judge
United States Bankruptcy Court
One Bowling Green - Room 504
New York, New York 10004

Re: In re MF Global Holdings, Ltd, No. 11-15059 (MG) (Bankr. S.D.N.Y.)

Dear Judge Glenn:

Jones Day represents MF Global Holdings Ltd., as Plan Administrator and MF Global Assigned Assets with respect to the assets acquired from MF Global Inc. ("MFGI"), including MFGI's claims as an Insured under the E&O policies.

At the status conference on Monday, October 26, 2015, we understood that Your Honor wanted to have the parties meet and confer on a number of issues and report back to the Court by 10:00 a.m. on Monday, November 2, 2015, in advance of a 5:00 p.m. status call on the renewed request by the Individual Insureds to have certain defense costs paid out of the E&O policies. Specifically, we understood that Your Honor wanted to know whether (i) the parties were prepared to agree that defense costs could be paid entirely out of the D&O tower for now, subject to some kind of allocation/reservation of rights among the insurers; and (ii) with respect to the \$13.06M of D&O Side ABC coverage currently subject to the Court's September 4, 2014 Lift Stay Ruling [Docket No. 1988], whether the defendants were going to withdraw the \$15M capped claims, moot the issue, or the parties would obtain the Insurers' agreement to "freeze" the last \$13.06M of D&O coverage at the Side ABC layer and see if the insurers at the next layer up would pick up the coverage.

On the latter issue, we can report to the Court that at close of business on Friday, the defendants filed Notices withdrawing the proofs of claim which correspond to the \$15 million in capped indemnification claims [Docket Nos. 2145, 2146, and 2147]. While these Notices did not explicitly state that the withdrawal of the claims was with prejudice, assuming that is the case, the issue presented with respect to the \$13.06 million of Side B claims would appear to be moot.

On the issue of whether the parties agree that all defense costs going forward should be paid out the D&O policies, we unfortunately do not yet have sufficient information to report definitively to the Court. While we recognize that the defendants have a difficult task in coordinating with each other and coordinating with the insurers, as of Friday close of business, we had not seen anything from the defendants indicating whether they are proposing to have all defense costs paid from the D&O insurers going forward, and if so, what the terms are for

Honorable Martin Glenn
November 2, 2015
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reimbursement/allocation among the insurers for such costs (*see* email from J. Wittstein to A. Aufses dated 10/29/15 and emails from A. Aufses to J. Wittstein dated 10/30/15 at 11:53 a.m. and 4:36 p.m., attached hereto as composite Exhibit 1 A, B, and C.).

While it may seem that the Plan Administrator should be indifferent to which policies the defense costs are paid from, or should prefer that the costs be paid from the D&O insurers, the calculus is actually more complicated and may well depend on whether there will be an enforceable agreement among the insurers to have the costs reimbursed, and if so, when that will be triggered. While the Plan Administrator does not wish to violate any mediation or settlement confidences, suffice it to say that issues with respect to which insurers are prepared to meet within limits settlement demands and which are not factors into whether defense costs depleting one set of policies versus the other could have a significant impact on the Plan Administrator's interests. Moreover, the Litigation Trust's claims are payable only out of the D&O policies while the MFGAA claims apply to both policies (the claims derivative of the Customer Representatives' net equity claims are lodged against defendants as Insureds under both the E&O and D&O policies, and the former MFGI Insured Entity claim held now by MFGAA is a demand against only the E&O policies).

It should also be noted that the Plan Administrator sought from the defendants and insurers in the D&O Adversary Proceeding (several of whom are also parties to the E&O dispute) copies of the side agreements between the defendants and the D&O insurers with respect to the Securities Settlement in a request sent Monday evening after the Status Conference. *See* email from J. Wittstein to A. Aufses dated 10/26/15, attached hereto as Exhibit 2. In following up on the Court's directives with defense counsel on the E&O dispute on October 29, 2015, we reiterated our request for these documents from counsel for the Individual Insureds, and noted that we needed this information to evaluate whether it was advisable to have all defense costs going forward paid from the D&O only. *See* Exhibit 1A. We learned only at 4:36 Friday afternoon that the defendants were not prepared to produce these documents, and so we ask that they be directed to do so without further delay. We are prepared to treat these documents as "Confidential" under the terms of the Protective Order entered in the MDL, but do not understand why they are being withheld.

At this time, we also want to provide the Court briefly with the status of the Plan Administrator's E&O Demand. As counsel for the Customer Representatives advised the Court at the Status Conference, since acquiring MFGI's claim, MFGAA acted promptly to provide notice of the assignment and to provide an updated demand and proof of loss to the carriers. *See* letter from D. Steuber to M. Fried dated 10/24/15, attached hereto as Exhibit 3. While we are working closely with the Customer Representatives to evaluate whether to bring an action based on these outstanding demands, we would note for now only that (putting to one side that there are arbitration provisions in certain policies and reinsurance related issues which would need to be dealt with) we are focused with the defendants on trying to keep settlement discussions on track. While the D&O Adversary Proceeding was necessitated by the upcoming final approval hearing with respect to the Securities Settlement in the MDL that could result in the loss of \$25 million of the \$225 million D&O tower which should be available to resolve all claims and not

Confidential

[REDACTED]



[REDACTED]

[REDACTED]

system immediately. Thank you.

From: Kinead, Darren [mailto:DBK@willmont.com]

Sent: Tuesday, May 03, 2016 9:52 AM

To: 'Anthony.Fowler@thehartford.com'; 'clemley@wileyrein.com'; 'daniel.metroka@hoganlovells.com'; 'david.newmann@hoganlovells.com'; 'David.Philips@cna.com'; 'dmcgoldrick@hccglobal.com'; 'dstandish@wileyrein.com'; 'Edward.Kirk@clydeco.us'; 'Gary.Dixon@troutmansanders.com'; 'gcurley@damato-lynch.com'; 'gmustes@skarzynski.com'; 'harold.neher@axiscapital.com'; 'jonathan.meer@wilsonelser.com'; 'jskarzynski@skarzynski.com'; 'keith.little@baileycavalieri.com'; 'Ken.Coleman@AllenOvery.com'; 'leslie.ahari@troutmansanders.com'; 'Mark.Nixdorf@AllenOvery.com'; 'McCarrick, John'; 'Meredith.Werner@troutmansanders.com'; 'mfried@lvclaims.com'; 'michael.morales@everestnational.com'; 'MJBarry@damato-lynch.com'; 'Patrick.Maloney@thehartford.com'; 'Pesso, Maurice'; 'rbenjamin@kbrlaw.com'; 'Scott.Schaffer@wilsonelser.com'; 'Steinberg, Greg'; 'TFORKER@travelers.com'; 'ttkac@chubb.com'

Cc: 'aaufses@KRAMERLEVIN.com'; Barber Christopher J; 'gjo@dorlaw.com'; 'Jonathan.Streeter@dechert.com'; 'Isteinberg@sandw.com'; 'Matthew.Mazur@dechert.com'; 'nbinder@binderschwartz.com'; 'pcp@dorlaw.com'; 'PSchoeman@KRAMERLEVIN.com'; 'vmk@dorlaw.com'

Subject: FW: MF Global -- Bankruptcy Court and Lit Trust Orders

All:

I'm forwarding revised drafts of the Bankruptcy Court Approval Order and Litigation Trust Judgment and Order of Dismissal, which we received from Jones Day last night. We're reviewing the document now.

If I've left any of your colleagues off this distribution list, it was inadvertent and I'd ask you to forward this material to them.

Regards, Darren

Darren Kinkad

Telephone: 312-443-3225

Facsimile: 312-630-8555

Email: dbk@willmont.com

From: Michael Schneiderei [mailto:mschneiderei@jonesday.com]

Sent: Monday, May 02, 2016 10:45 PM

To: Streeter, Jonathan; Mazur, Matthew; aaufses@kramerlevin.com; Barber Christopher J; Kinkad, Darren; gjo@dorlaw.com; lsteinberg@sandw.com; nbinder@binderschwartz.com; 'pcp@dorlaw.com'; pschoeman@kramerlevin.com; 'vmk@dorlaw.com'

Cc: Bruce Bennett; Christopher J. Lovrien; Jane Rue Wittstein; Dave Steuber; Craig Hirsch; Justin Morgan

Subject: MF Global -- Bankruptcy Court and Lit Trust Orders

PRIVILEGED & CONFIDENTIAL
SETTLEMENT COMMUNICATION

Counsel:

Attached please find drafts of the Bankruptcy Court Approval Order and Litigation Trust Judgment and Order of Dismissal. I have not provided redlines because the prior versions that we received (on 4/18 and 4/22) were in pdf format.

The drafts remain subject to further internal and client review and all rights are reserved.

Thanks,
Michael

Michael Schneiderei
Partner

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